

## ***Business Finance Essentials for Product Development***

Developing business skills for emerging leaders

- For companies who want to expand technical leaders' skills beyond "know-how" to "know-why," and
- For emerging leaders who want to expand their influence in broader business decisions,

This two-day workshop equips attendees with understanding, tools, and practice to align product development effort with business goals.

Unlike typical seminars on "finance for non-financial managers" that cover accounting and budgeting, this seminar focuses on concepts and tools to understand financial decisions and manage product development as a business enterprise. Specific examples will show how to apply the material to the technology and product development decisions that drive business results.

Benefits to your company: During uncertain times, it isn't enough to translate business objectives into year-long goals. Leaders at all levels need a firsthand understanding of the principles that drive your business so that tactical decisions are effectively aligned toward creating business value.

This seminar provides new product leaders with knowledge and tools to apply business economic principles in all the phases of new product development from portfolio planning to day-to-day project decisions.

Benefits to participants: Learn and practice concepts and tools to participate in top level goal setting and strategy decisions, and help you compete for new product funding:

- Fundamentals of financial statements and performance metrics.
- Economics of capital management and value creation.
- Investment metrics that apply to product development
- Analyzing the new product business case as an investment
- Optimizing the risk/return tradeoff in new product investments
- Selecting the highest value project portfolio across product lines, risk levels, and strategic initiatives.
- Planning resources, time to market, and project scope to optimize value
- Managing day to day project decisions to maximize economic value.

Who should attend: Product innovation leaders from all departments will benefit from this seminar. This includes leaders from Engineering, R&D, Marketing, Manufacturing, and Finance. The material is especially valuable for newly promoted managers to quickly become involved in higher level business decisions.

The impact of this workshop is amplified when cross-functional teams attend together to develop a shared understanding of this vital subject.

## ***Workshop Agenda – Day 1***

### **Financial reports and performance**

- Income statements and balance sheets
  - Assets, depreciation and cash flow
  - Common performance yardsticks
- Exercise: comparing company performance

### **Investment metrics**

- Discounted cash flow principles
  - Present value and return rate metrics
  - Basic decisions: Accept/reject and ranking
  - Comparison with common ROI metrics
- Case studies in business and personal investments

### **Managing investment capital**

- Investments and value creation
  - Capital allocation and competition for investment
  - Investment portfolios: Risk and return
  - Hurdle rates and cost of capital
- Case studies in investment allocation

### **Analyzing the business case**

- Elements of the business case
  - Expensed and capitalized spending
  - Estimating cash flows
  - Excel tools for investment analysis
- Exercise: Calculating depreciation, estimating cash flows

### **Day 1 Wrap up**

- Summary of Day 1
- Questions

## ***Workshop Agenda – Day 2***

### **Risk in new product investments**

- Risk and innovation
- Requirements for project risk assessment
- Risk assessment tools
- Adjusting hurdle rates for risk

Exercise: The risk scorecard

### **Application: Focusing your portfolio**

- Portfolio pitfalls: overbooking and multitasking
- Review investment decision criteria
- The new product roadmap
- Risk-return maps
- Marginal return charts
- Strategic alignment

Case study: Portfolio management

### **Application: Defining and planning your projects**

- Optimizing project alternatives
- Financial impact of Time to Market
- Optimizing resource plans
- Implications for portfolio management

Case studies in project planning and definition

### **Application: Managing your projects**

- Day to day decisions and tradeoffs
- Rules of thumb for economic decisions
- Importance of management buy-in

Discussion: barriers to buy-in

### **Implementing and using the tools**

(With audience discussion)

- Common barriers to implementation
- Working with managers, peers, and subordinates



### ***Seminar Leader***

John Farnbach Ph.D. has extensive expertise and broad experience in product development, business management, and business finance. He is Principal of Silver Streak Partners LLC, where he helps companies improve new product development as a business operation and works with leadership teams to create an enterprise wide new product operation that produces higher returns, with less crisis management and fire fighting,

Dr. Farnbach earned a Ph.D. (EE) from Princeton University after completing an MSEE degree at the University of New Mexico and a BSEE degree at Princeton.

The workshop is based on Dr. Farnbach's experience and expertise developed teaching business finance for engineers at the University of Colorado (Boulder CO) and 35 years' consulting in and managing product development, marketing, and business units at companies such as

- Analog Devices Inc.
- Aztek Engineering Inc. (telecom software)
- Boulder Imaging Inc. (image processing systems)
- Brooktree Corporation
- Comlinear Corporation
- Global semiconductor company
- Hewlett-Packard Co.
- Industrial measurement company
- KMLabs (scientific lasers)
- PrarieTek Corporation (disk drives)
- Quest Product Development (Engineering services)
- Rockwell Semiconductor
- Sandia Laboratories

Dr. Farnbach's audiences appreciate his ability to make complex subjects understandable and meaningful, and his practical approach, accompanied by tools and advice for implementing the ideas.