

# The Mix

Strategies, tactics, insights and opportunities

## Profiting from Project Management

**George Sifri** explains how selecting and prioritizing a project is key to achieving its ultimate aim.

### The strategic management process

In customer-driven organizations, vision, mission and goals are set to meet the needs of the customers. The vision states "this is what we want to become," and the mission concerns "what our business is and how we achieve our vision." Business goals translate vision and mission into long-term, quantifiable objectives, which clarify in detail where a corporation is heading and when (and how) it is going to get there. These objectives should set targets for all levels of the organization, with each level supporting those above.

The development of strategies establishes "what we need to do to achieve our goals." It requires an extensive analysis of the internal and external environments. A political, economic, social, and technological analysis (PEST) can be used to analyse the external environment and identify opportunities and threats. The internal environment should be examined for strengths and weaknesses such as management, facilities, core competencies, product quality, technology and financial resources.

Implementation of strategies to best meet customer needs must include attention to the following key points:

- Resources must be allocated based on organizational priorities.
- Project management processes for planning, executing and controlling are essential.
- A project selection and priority system can ensure strong links between projects and the strategic plan.

The benefits of carefully selected criteria for project prioritization include more effective planning of organizational resources and more efficient utilization of these resources. This will produce a portfolio of projects that balances opportunities and threats, and will keep the

stakeholders focused on the most critical projects.

Perhaps most importantly, the organization will be able to achieve a consensus as to which projects have the highest priority.

When we implemented a project selection and priority system in our own organization, however, we met enormous scepticism and resistance. Typical responses included: "We know which projects are most important;" "All projects are important;" and "An extra layer of bureaucracy would limit our flexibility."

A detailed analysis conducted for one of our major customers identifying the root causes of why projects were not achieving their potential impact revealed that the most frequent reasons were over-committed resources, employees setting their own priorities which conflicted with other employees' priority systems and the company's strategic plans, the project's approval by someone other than the employee working on it and the conflict between new and current projects. Conflicts such as these suggest a serious need for a project selection and priority system, yet the development and implementation of such a system will not materialize without the support and sponsorship of upper management.

### Project selection and priority

Organizations frequently pursue many projects simultaneously. Almost inevitably, the combined projects in a portfolio require more resources than are available. In addition, internal politics can have a significant impact on project selection, with certain projects, particularly those sponsored by high-ranking officials, being considered 'sacred cows.' This obscures the perception of the project's true worth to the organization's long-term strategic goals.

Table 1: Project scoring matrix.

Selection criteria	Alignment with core competencies	Alignment with strategic goals	Internal rate of return in excess of 15%	Improve customer service	Urgency	Total Score
Weight	2.0	3.0	1.5	3.0	2.0	
Proposal 1	2	7	3	5	3	50.5
Proposal 2	3	4	1	5	3	40.5
Proposal 3	9	6	3	3	3	55.5
Proposal 4	5	0	9	7	8	56.5
Proposal 5	3	8	4	9	4	69.5

### 59 STAFF DEVELOPMENT

Using online learning to help train and retain your regulatory affairs staff.



### 63 MARKETING

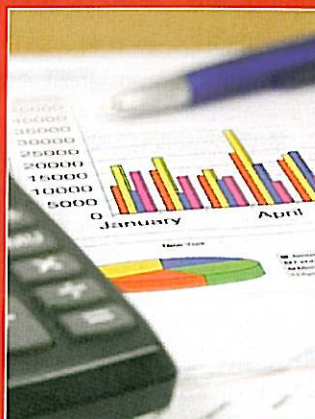
Tailoring your marketing approach to an increasingly diverse customer base.

### 64 DATA

Sharing information to optimize sales force effectiveness.

### 69 TECHNOLOGY

Integrating signal detection and data mining.



Without an effective project selection and priority system, the capacity overload coupled with project politics will lead to frustration, confusion and inefficient use of resources. Some of the questions that should be tackled when considering a project selection and priority system are as follows:

- How can we minimize the power of politics?
- How can we prioritize projects consistently to support the organizational strategy?
- How can we use the prioritized list of projects to allocate scarce organizational resources?
- How can the process encourage bottom-up initiation of projects that support organizational goals and strategies?

A large number of project priority and selection models are available. Picking a selection model is highly dependent on certain organizational attributes, such as industry, risk aversion level, technology, competition, management style, and markets. Selection models should encompass multiple criteria such as profitability, researching new technology, public image, core competencies, and strategic fit.

#### The selection process

The situation rarely occurs that a project must be selected in order to prevent the organization failing or suffering a severe loss. If a project falls in the 'must' category, all other selection criteria can be ignored. A project should be placed in this category when the majority of stakeholders agree that the project is crucial and must be implemented. For all remaining projects, multiple selection criteria should be used.

Proposals screening. The prerequisites for implementing an effective screening process are

- Publishing the selection criteria so that sponsors conduct self-evaluations before the proposals are submitted to the priority team.
- Publishing guidelines and templates for developing a business case to facilitate the evaluation process by the priority team.

**Selection criteria.** A client of ours uses a process wherein management weights each criterion by its relative contribution and importance to the organization's goals and strategic plan. The project priority team evaluates each project proposal by its relative contribution or benefit to the selection criteria. The priority team then assigns a spectrum of values for each criterion ranging from low (0) to high (10). This value represents the proposal's fit to the specific criterion.

Table 1 shows a project selection matrix. Proposal 1 appears to fit well with the strategic goals of the organization (the priority team gave it a score of seven), but does little to support core competencies (receiving a score of two). The last step in this model is to apply management weights to each criterion by importance, using a spectrum of values ranging from low (1) to high (3). For example, "improve customer service" has a weight of three while "urgency" has a weight two. Note that urgency is different than the "must" category discussed above: although Proposal 4 has some urgency, it had not been classified a "must" project and is being analysed alongside other proposals. In rare cases of two projects having the same score, the priority team may pick the project that imposes least demand on resources.

**The priority team.** The project priority team is responsible for evaluating project proposals on the basis of the selection criteria, accepting or rejecting proposals, publishing the score of each proposal and ensuring the process is open and free, balancing the portfolio of projects for the organization, evaluating the progress of the projects in the portfolio over time, and reassessing organizational goals and priorities if conditions change.

#### Assessing results

The project priority system selects which projects should be pursued based on their support of the organizational strategy. In addition, a model to assess the long-term effectiveness of the project priority system is needed. The assessment model

focuses on the performance in five main areas: customer, internal, innovation, knowledge transfer and financial measures.

Metrics must be collected in order to analyse and assess the effectiveness of the project priority system. The following list shows some typical metrics used to assess the five key areas:

- Customer
  - ◇ Sales compared to industry norms.
  - ◇ Percentage of on time /within budget/according to specifications projects.
- Internal
  - ◇ Time to market a new product or service.
  - ◇ Reduction in design time.
- Innovation
  - ◇ Sales generated from new products.
- Knowledge transfer
  - ◇ Savings generated from improvements in project management processes.
- Financial measures
  - ◇ Return on investment.
  - ◇ Internal rate of return.
  - ◇ Cash flow analysis.

These metrics should be measured over a period and compared with industry norms (if they are available) in order to have a fair view of the company performance.

#### Conclusion

A project management approach to business problems and opportunities is becoming the rule rather than the exception. Projects and programmes are the tools that an organization uses to implement its business strategies and achieve its business goals. Organizations are striving for enhancing their capital productivity; that is, increasing how effective they are in deploying their resources (selecting the right projects) and how efficient they are in using them (doing the projects in the right way).

It all starts with selecting the right project. This requires considerable investment in tools, people, and processes. But for a project management selection and prioritization system to truly work, it requires the appropriate supporting behaviours. Openness and transparency must be maintained, and the priority team needs to communicate the rank of those projects approved, the status of in-progress projects and changes in project selection criteria. Such a system will enable the organization to integrate its goals and strategy successfully with its portfolio of projects.

#### About the Author

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Figure 1: Strategic management & project management.

