THE 5 KEYS TO IMPROVING PROJECT SELECTION

THOUGHT LEADERSHIP WHITE PAPER

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Introduction

Flawless project execution is meaningless if your organization is not tackling the right projects in the first place. Work on redundant projects or those that don't advance company objectives can be a huge source of corporate waste. Strategic project selection is crucial to ensuring that teams are focused on those initiatives that align best with key priorities and deliver the most impact.

Yet the simple fact is that most organizations still struggle with this. Of 103 participants polled during a recent PowerSteering Thought Leadership webcast, just 24% indicated their organization has a standardized enterprise project selection process, and only 4% stated they use formal feedback loops to continually refine and improve their project selection model.

Part of the challenge is that the considerations of project selection can seem overwhelming. Idea gathering, screening, chartering, prioritizing, resourcing, tracking, measuring, optimizing – that's a lot of activities to manage. Exacerbating the situation is that there is no limit to how sophisticated approaches to project selection can be. Advanced techniques such as what-if scenarios and Monte Carlo simulation may initially sound intriguing, because they are complex and have the benefit of being "scientific" (thus seeming to impart control and predictability) – but these approaches are often overkill, especially for those yet to master project selection fundamentals.

If your organization is still grappling with how to bring discipline and control to the way project ideas are solicited, evaluated, and selected, take a step back. Focusing on the following 5 key areas should help you realize immediate improvement in your selection process and ultimately your project success rate.

1. Define your process for gathering ideas

Presumably, the purpose of every project your organization undertakes is to yield some change that improves the business. If that wasn't the case, why bother with the project at all? When thought of this way, it becomes clear that managing project selection is really about managing innovation. And the well-spring of innovation is the generation and shepherding of good ideas. This requires that your organization craft a clear and deliberate method for both soliciting ideas and making sure those ideas don't slip through the cracks. While simple enough in theory, in practice this often involves managing a series of difficult trade-offs: Should the process be formal or informal? Should the privilege of submitting ideas belong to a select few, or all staff? The answers, of course, depend greatly on the unique culture of your company. But here are some key issues to consider:

- **How widespread do you want to cast the net?**
  Often, front-line employees represent an untapped resource of insight for how to improve business operations. But the wider the pool of would-be innovators, the more ideas your organization will need to sift through. This can create a classic needle-in-a-haystack conundrum and challenge your process capacity. Alternatively, the privilege of submitting project ideas could be limited to employees of a certain job level or specific committees and teams – but of course this risks missing out on potentially groundbreaking ideas that may be percolating elsewhere in the company.

- **How will ideas be generated and captured?**
  Options include innovation workshops, regularly scheduled planning sessions, or the old-fashioned suggestion box (in either an online or offline format).

- **Who will be responsible for initial screening?**
  Clearly all project ideas will not merit the effort of a comprehensive feasibility study. It is important to have a mechanism in place to review the raw idea submissions and determine which merit further evaluation. This can be addressed by an individual, team, or committee, and either handled periodically or as they are received.

2. Require common information for all project ideas & proposals

In an ideal world, proposals would be evaluated solely on their merit, not presentation aesthetics or who they came from. Defining a set of common data points that must be provided before any idea can be submitted for consideration allows for a more "apples to apples" evaluation of proposals and vastly streamlines the administrative effort involved in determining which should be undertaken. This is especially important in large organizations with a high volume of potential project ideas that span different functions or entirely different businesses, and are thus innately difficult to compare.

Further, enforcing a standard format for project proposals ensures that at least a minimum threshold of thoroughness is required of the submitter, which lowers the number of half-formulated ideas tossed over the transom. The result should be that those original "back of the napkin" innovations are taken to the next level of detail by their creators, instead of making extra work for the idea screeners.

Of course, the right type data and level of detail will vary according to the specific needs and processes of your specific business, but some common information to require include:

- Project description
- What strategic goal or high-level objective it aligns with
- Business unit/department involved
- Expected benefit
- Expected resource requirements

3. Evaluate proposals against consistent criteria

Establishing well-defined, consistent criteria against which proposals will be scored allows you to more objectively evaluate ideas relative to one another. The end result should be a single, easy-to-grasp scorecard, with the highest scoring projects representing the most attractive candidates for your organization. Adopting such a scoring system helps ensure teams are only working on the highest impact and most strategic projects, and should further improve the selection process by reducing the effect of biases or cultural "blind spots".

There are nearly an infinite number of dimensions against which an idea can be rated. Evaluation categories can be broken into sub-categories, which can be broken into specific line-item criteria *ad nauseam*. The devil, as always, is in the details of determining which are the right ones for your organization, and how many is the right number. Some of the more important, and therefore more popular, criteria are:

- Strategic importance or alignment
- Estimated implementation effort
    - Time
    - Costs
    - Resource requirements
- Expected benefit
    - Financial
    - Customer Satisfaction
    - Organizational (capability building, etc.)
- Risk level
    - Cost uncertainty
    - Scheduling risks
    - Opportunity costs
    - Degree of executive sponsorship

As all criteria are not created equal, nearly all organizations use a weighted model to generate a final score.

It is perhaps obvious but nonetheless important to point out that the information supplied during the idea submission phase may not translate directly into a project rating or score. Rather, some person or group will likely need to take the idea submitted and interpret it in order to assign scores in the various evaluation categories. Thus a critical consideration is who will be responsible for the scoring. Leaving it solely to the discretion of a single individual risks allowing a high level of bias and subjectivity to creep back into the selection process.

Of course, *some* level of subjectivity is desirable. Part of the reason companies pay good money to executives is in exchange for their judgment and intuition – so don't discard it completely! No evaluation system will be absolutely perfect. The mechanics of scoring are only meant to make it easier to compare project proposals in a disciplined and consistent manner. For this reason it helps to assess the scoring in terms of thresholds or bands. It should not be taken on faith that a project scoring 92 out of 100, for example, should be prioritized over another scoring 91 or even 87. It is generally more helpful to group every project scoring between 85 and 100 (to continue our example) as a prime candidate to fast-track, or to map the project ideas on a classic 2x2 matrix with key evaluation categories (such as expected benefit vs. risk) as the x and y axes to see which "bubble up" to the top.

4. Use project results to refine the selection process

To state that evaluation criteria should be consistently applied in scoring projects does not mean the criteria themselves should be immutable. It is important to refine the criteria, as well as the weighting thereof, as corporate priorities change and successive generations of completed projects allow you to understand which criteria actually prove to be good predictors of project success.

No matter how well-thought out the process, project selection will remain largely an academic exercise if your organization does not track the performance of those projects that make it beyond the selection hurdles and into execution. Only in measuring project outcomes can you understand how well your selection model is working and where it may be improved.

Most organizations will reflexively track the "hard dollar" components, such as costs and revenue creation. If you really hope to understand the drivers of project success, though, you also need to monitor more nitty-gritty project level metrics such as project cycle time and compare the results against original estimates. Common assessments include:

- How did the realized project benefits compare to the estimates during the initial screening and/or the portfolio prioritization?
- How did the realized project costs compare to the estimates?

- How did the project cycle time compare to the estimates?
- Did the set of projects completed achieve their stated strategic objectives?

Conducting such analyses will allow you to compile a trove of historical data that in turn will enable your organization to calibrate the estimates made during the idea submission and evaluation phase. In this way, figures such as expected values and best- and worst-case estimates can be based on actual data instead of sheer guesswork. This increased certainty in effect reduces business risk.

As mentioned earlier, accumulating data on completed projects also allows for analysis of which evaluation criteria have the highest correlation with project success. This understanding may then be used to refine the weighting of those criteria so they accurately reflect the actual results of what constitutes a "good" project. For example, let us say that during the first pass at the selection process it was assumed that "expected benefit" was the most important attribute, and that criterion therefore received the highest weighting during project scoring. However, in examining our first batch of completed projects, it was discovered that a project's score in the category "level of leadership support" was more closely tied to that project's ultimate impact. The weighting should then be changed to give more importance to leadership support relative to expected benefit, and (holding all other variables equal) the success rate of future projects should improve.

5. Apply appropriate technology

That we have left a discussion of technology until the end is deliberate. Technology, as conventional wisdom likes to remind us, is no silver bullet or panacea. If an organization has not deliberately planned out its processes, technology will not offer much in the way of improvement.

However, now that we have defined the desired future state of a project selection model, it is hard to imagine it succeeding without at least some degree of supporting technology. At a minimum, the need to aggregate ideas, evaluate them, and monitor them through the project lifecycle requires some sort of project database system to both ensure information integrity and reduce administrative burden. There are myriad other ways technology can benefit project selection, but some of the key ones to explore are:

- **Using forms to ensure data consistency**.
  The use of forms, particularly web forms, to capture and score project ideas guarantees that the same information is being collected every time.

- **Automating workflow.**
  Rules-based software can automate much of the project selection process and help ensure that all steps are completed properly and in the right sequence. For example, completed project idea forms might be automatically routed to the appropriate person or teams for screening. Proposals might not be allowed to advance to the next phase until certain actions are completed or validated – for instance, before it is assigned resources a project may require review from a VP validating that the evaluation stage has been completed appropriately.

- **Improving data analysis and graphic display.**
  There is really no magic to scoring projects against multiple criteria, calculating weighted scores, or plotting those scores on a 2x2 matrix. Much of this analysis could be conducted using simple spreadsheets. But a more robust system that is directly tied to the project and idea database can allow you to quickly reconfigure data on the fly to present it in the way most useful to you, without the re-work and risk of error that comes from manual re-entry of the same data into new spreadsheet tables and charts.

- **Tracking project benefits.**
  Once an idea has passed all of the selection hurdles, a project management system can help track execution progress and the realization of costs and benefits. This is fundamental to gathering the data needed to validate and refine the selection process.

While different systems could be adopted for each of these areas, a single integrated application such as PowerSteering provides end-to-end visibility and a central repository for all project-related information, greatly streamlining administration and improving data access and reliability.

Conclusion

Developing an effective approach to project selection does not have to incorporate the full universe of techniques and methodologies available. In fact, there is no surer recipe for disaster than attempting to boil the ocean all at once. For those organizations looking to bring rigor and consistency to their selection process, the 5 suggestions discussed above will allow you to establish a disciplined, manageable way to gather ideas, evaluate and prioritize proposals, and ultimately select only the most strategic, high-impact projects.

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