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Which Initiatives Should You Implement?

by Alan P. Brache and Sam Bodley-Scott

Financial and human resources are never unlimited, but they are scarcer and more precious now than at any time in a generation. Deciding where to allocate them is thus more challenging—and more risky, because a wrong decision can mortally wound an organization.

Yet managers must make resource-allocation decisions—and quickly—while serving two competing yet equally crucial goals: keeping the organization viable during the economic doldrums and readying it to surge forward when the wind picks up again.

To counter this greater risk and complexity, the process used to evaluate and prioritize projects must be rigorous and rational. We recommend that managers use a process we call *optimal project portfolio*, or OPP.

Implementing OPP involves five steps:

1. **Develop project-prioritization criteria.** Is your company more interested in achieving a short-term sales boost to maintain liquidity or in furthering its three-year strategic plan? Reducing costs or increasing customer ratings? The criteria used to prioritize projects will be determined by the organization's main goals.

2. **Analyze your resource capacity.** How much time do your people have to give to special projects? What's the availability of needed machinery or shared services?

3. **Gather and organize information on current and planned projects.** How many projects are currently under way or in the planning stage? How much time and money is each project currently consuming?

4. **Evaluate your entire project portfolio and determine which projects will go forward.** Are there any projects that can be combined? Any that can run in tandem?

5. **Implement an ongoing project-portfolio-management process.** What steps can you take to make project review and prioritization an ongoing effort?

This methodology also works at the division and unit level; indeed, in large companies it's a good idea to use the OPP process on several levels. Let's dive into the details of each step and see what OPP looks like in action.

1. DEVELOP PRIORITIZATION CRITERIA

A project portfolio, like an investment portfolio, should be diversified. It should contain a mix of strategic and tactical initiatives, growth-driven and cost-driven initiatives, and customer-focused and employee-focused projects. The criteria used to prioritize current and potential projects generally fall into these categories:

- Further the strategy.
- Balance the need to weather the current economic storm with the need to prepare for the upturn.
- Increase sales.
- Establish a competitive advantage, or eliminate a competitive disadvantage.
- Increase customer satisfaction.
- Reduce cost.
- Increase employee satisfaction and retention.
- Ensure regulatory compliance.

The following example shows how a U.S.-based multinational consumer products company determined what criteria it would use to prioritize projects.

During the process of formulating a new strategy, the organization's top management team concluded that its primary competitive advantages were the strength of its brand and its ability to facilitate customer-to-customer communication. As the team members brainstormed ways to leverage these strengths, they identified an opportunity to offer a digital service, delivered via 3G mobile phones. Because they were concerned that this opportunity would be stifled in their legacy environment, they set up a separate company to pursue it.

The executive team of the new company began with a list of 30 strategic initiatives. Using the company's new mandate as a basis, the group identified the following screening and priority-setting criteria:

- Maximize speed to market.
- Support use of the parent brand.
- Maximize return on investment.
- Minimize business risk.
- Maximize value to external partners.
- Minimize time to recruit and deploy employees.
- Support robust process and IT development.

The team quickly realized that the criteria were not equally important, so they weighted each criterion on a 10-point scale and sought to strike a balance between short-term and long-term needs, and external and internal focus. (See the left-hand columns of the graphic "How One Company Assigned a Priority Score to Initiatives.")

2. ANALYZE RESOURCE CAPACITY

When it comes to committing to a certain number of initiatives, you don't want to bite off more than you can chew, but you also don't want to squander opportunities to, for example, improve systems, better serve customers, or boost employee development and retention. So you need to take the measure of your resource capacity—not only the number of available person-hours by organization unit, but also the availability of machinery, facilities, and materials.

3. ORGANIZE PROJECT INFORMATION

Next is to assess the likely impact of each current or planned initiative as well as what resources it will require. Collecting the information necessary to do this should be relatively straightforward if there is a project office or some other structure with a finger on the pulse of all initiative activity. If not, a bit of digging is required. Analysts with a healthy appetite for detail and significant project management experience should interview executives, project leaders, and managers and record their findings.

Their tasks will include:

- Identifying the projects that are currently under way, those that have been approved but not yet launched, and those under consideration.
- Answering the following questions for each project:

  What is the purpose of this project?

  What would be the short- and long-term consequences of scaling back, delaying, or eliminating this project?

  What are its deliverables (outputs)?

  What phase is this project in?

  Which people are involved, and what are their roles?

  How much time and money is the project consuming?

- Sorting the projects by:

  Project type: Is the project related to product development, marketing, customer service, etc.?

  Resource type: Which people from each department/site, which machines, which facilities, and how much money are dedicated to project work?

  Time: When are the projects scheduled to begin and end, and when will the resources be needed?

  Objective: Does it contribute to surviving in the recession or to thriving in the upturn?

4. EVALUATE THE PROJECT PORTFOLIO

Now the really hard work begins. Based on the wealth of information gathered, the executive team embarks on the wrenching but necessary process of deciding:

- Which projects should be combined.
- Which projects are "Go" and which are "No go."
- Which "Go" projects will be deferred until resources become available.
- The priority of the "Go" projects.
- The sequence of the "Go" projects.

In this step, the project team for the organization in our example—the consumer products spin-off formed to develop a digital-service offering—put the work it had done in Step 1 on establishing and

HOW ONE COMPANY ASSIGNED A PRIORITY SCORE TO INITIATIVES

Potential Initiatives

Balance of criteria					Priority-setting criteria	Set up Japanese business		Develop marketing plan and planning process		Build performance management process	
Internal	*External*	*Long-term*	*Short-term*	*Weighting*		*Score out of 10*	*Weighted score*	*Score out of 10*	*Weighted score*	*Score out of 10*	*Weighted score*
	•		•	10	Maximize speed to market	7	70	5	50	3	30
•		•		10	Maximize return on investment	7	70	6	60	8	80
•	•	•		6	Support use of parent brand	8	48	4	24	0	0
•		•	•	4	Minimize business risk	2	8	8	32	5	20
	•	•		3	Maximize value to external partners	7	21	3	9	1	3
					Prioritization score		342		277		173

Resource requirements	Set up Japanese business	Develop marketing plan and planning process	Build performance management process
Marketing	•	•	
Process design	•	•	•
Finance	•	•	•
HR	•		•
	Go	**Go**	**No Go**

weighting project criteria to good use. First, the team members assessed how well each of the 30 potential projects they had identified met each criterion and assigned scores from one to 10 to them, according to how well they measured up to the various criteria. Their approach ensured that the projects that best met all the criteria received the highest priority.

While no projects were eliminated during this process, the team was able to place each project into one of four priority categories:

Mission-critical: Most deserving of precious resources at this time.

Important: Will pursue now, but with less emphasis than initiatives deemed mission-critical.

Wait-listed: Will tackle as soon as resources are freed up from initiatives in categories 1 and 2.

On hold: Will not undertake or plan for at this time.

Armed with priority and sequence, team members moved to establish the schedule. They used their capacity analysis—the output of Steps 2 and 3—to determine how much of this work they could take on at any one time. For example, they determined that a project in the "Important" category—"Develop brand guidelines"—would exhaust their marketing resources. Other initiatives requiring marketing expertise would need to be scheduled after the brand work was completed. The full set of projects was scheduled over 16 months.

5. IMPLEMENT AN ONGOING PROJECT-PORTFOLIO-MANAGEMENT PROCESS

Realizing that creating a project portfolio couldn't be a onetime effort, the digital spin-off's project team established a process for the ongoing review and update of its project portfolio and an infrastructure for supporting project excellence. In this final step of the OPP process, the team embedded rational initiative portfolio management into their nascent organization by:

- Adding a standing "initiative portfolio review" item to the agenda of monthly staff meetings.
- Scheduling a comprehensive half-day portfolio review meeting every six months.
- Designing and installing a process and template for new initiative proposals.
- Designating a person in the finance department as "mission control" for all initiatives consuming more than 200 person-hours and/or $50,000 in capital.

The project team also committed to reevaluating the portfolio once the economic tide started to turn.

GETTING TO RESULTS

Setting priority on initiatives ensures that an organization—no matter its size—is not launching more initiatives than it can accomplish successfully and that those launched are the most likely to succeed. If an organization did nothing else to improve the quality of its projects, prioritizing them would add significant value. Determining where to focus finite resources is a critical step in enabling an organization to survive the downturn and emerge from it ready to leap ahead. ◆

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