PROJECT PRIORITIZATION

THE ULTIMATE GUIDE

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How to Prioritize Projects the right way

Prioritizing projects is one of the most important capabilities for any organization. It is where the entire success of your portfolio begins, and enables you to:

- Align projects with strategy
- Quantify which projects add the most value
- Say "no" to low-value projects
- Identify and resolve resource prioritization challenges
- Gain buy-in from both stakeholders and delivery teams
- Balance the portfolio of projects in the backlog
- Build an achievable portfolio roadmap

In plain English, prioritization is a process where you work out which projects are the most important so you can focus resources on successfully delivering them.

There are good ways and bad ways to prioritize projects. This guide will show you a proven solution built on Decision Science. It will also highlight common traps that drive poor prioritization in many organizations.

Why prioritize projects?

It's no longer enough for a PMO to focus on training, process, templates and reporting. They also need to own the quality of the projects going into the delivery team, because this unlocks important benefits for any organization. We will explore

5 key benefits of prioritization:

1. Better financial returns
2. Better project delivery KPIs
3. Foundation for good governance
4. Drive Buy-In to the plan
5. Keep the boss happy

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Prioritization improves financial returns

Getting more for less is central to the success of any PMO, and prioritization is proven to provide outstanding returns:

40%

McKinsey research indicates that organizations that invest in strategic prioritization will deliver 40% more value, compared to companies that allocate funds based on a 'same as last year' approach.

82%

Forbes analysis tells a similar story, with S&P 500 performance in 2021, where 82% of the growth in value came from 20% of the companies in the index. The Pareto effect is real and works for investment, and underlines the importance of moving resources to where they add the most value.

20%

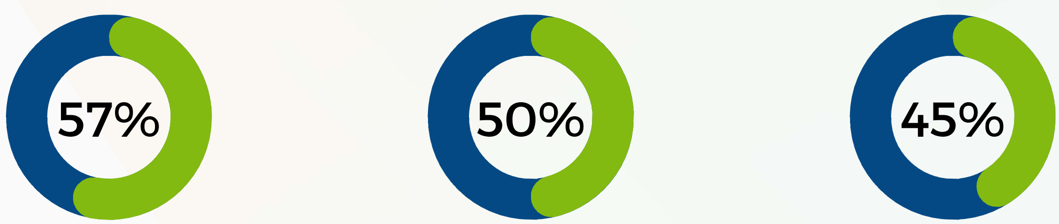
PMI analysis shows that 20% of the typical portfolio is waste. Stop this today to achieve an instant boost to the return on your investment.

Have these stats handy when you talk to the CFO with our exec-ready slide deck here.

Prioritizing projects improves project delivery KPIs

The PMI has researched this space and produced revealing KPIs that show that the biggest potential win for a PMO is not how projects are executed, **but how they are selected.**

THEY MEASURED THAT PROJECTS WHICH ARE ALIGNED TO STRATEGY ARE:



more likely to succeed.	**more likely to complete on time.**	**more likely to be on budget.**

These stats should be enough alone to convince your manager this is a good idea.

Check out this must-have slide deck if you're pulling together *your* business case.

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Prioritization enables effective governance

Challenging mediocrity at the planning stage of a portfolio means better performance during delivery for **4 main reasons**:

Improved accountability. which cannot exist without prioritization. Without clearly determining which of their projects are resourced, how can leaders commit to their deliverables?

Reduce Conflicts. There will always be tough choices to make, and curveballs to deal with. Having clearly prioritized projects will make this far less political, enabling sensible escalation and data-led decision making.

Boost project flow. Removing resource log-jams is much easier when you have a clear picture of which projects take priority and reduces the risk of high-value projects losing momentum.

Proactively reduce risk. Dramatically reduce resource contention before you hit a milestone disaster. Identifying and resolving bottlenecks at the planning stage means less stressful delivery.

Put simply, prioritization is the foundation upon which you build best-in-class governance.

To explore this concept in greater depth
check out this webinar with our partner at Deep Team.

Prioritization builds buy-in for the plan

Good prioritization gets everyone marching to the same drum beat, and with shared purpose comes better outcomes:

Alignment increases productivity. Involve people in scoring, show them the process is well built, and they are more likely to commit to delivery. Check out this video from Stanford University.

Low value projects drain morale. Conversely, nobody gets excited by working on a pointless assignment that probably won't ever go live. Their productivity will suffer, according to research from Adam Grant.

Fair prioritization reduces rogue behaviour. Stop shadow portfolios and 'corridor conversations' that circumvent the approvals process. They indicate that people don't trust the process.

Close the Strategy Gap. A shocking 95% of colleagues don't know how their work fits with the company strategy. Inclusive, well-communicated prioritization helps solve this.

It's also important to remember that prioritization must value people as far more than just resources if it is to unlock their full potential for the organization. Read more about that here.

Your CEO will love you

Good prioritization is key for leadership, even if they don't realize it (yet).

Better control of resources, while reducing the need to micro-manage detailed requirements. Leaders need to focus on the big calls, and prioritization lets them do just that.

Build alignment around what matters. Done well, the process of setting prioritization policy fosters empathy and alignment within the C-Suite.

Make data-led decisions with clear actionable insight on project value. Rational choices with super-fast scenarios and easy-to-read data. What's not to like?

Grow organizational agility. When the world changes, it is the C-Suite who must lead the response. Achieve a no-fuss pivot to face into the new normal.

Don't assume that because you're not being told to sort prioritization right now that it's not important. Many senior leaders simply expect this to happen, and only realize it's not when things go badly wrong.

This slide deck will help start that conversation, or book a meeting if you'd like to discuss this with one of our team.

10 signs of a broken project prioritization process

At some point on this change journey someone will challenge you - *do we really need to bother about this now?* It's important to look inwards and articulate the reasons you need to address project prioritization and why the time to do so is now.

Here are some **classic signs** that you have a problem, presented as a pop-chart count-down (why not?)

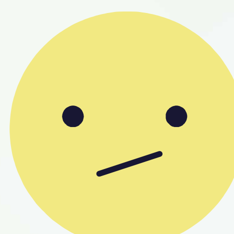
10 signs of a broken project prioritization process

10 A lot of projects fail

According to the PMI, 44% of project failure is due to a lack of clear alignment between project goals and organizational objectives. Conversely, projects aligned with strategy are 57% more likely to achieve their business goal.

Of course, this assumes you are in the minority of organizations that measure project outcomes.

Many people we speak with don't really know what their fail rate is, but suspect it's not great, because they do know that they're delivering projects that leave stakeholders underwhelmed (the 'meh' factor).



They also know the pain of epic budget fails, and the feeling when milestones turn into millstones.

10 signs of a broken project prioritization process

09 I don't even know how many projects we have

Consider **Schrodinger's backlog.** If projects are scattered across teams, undocumented, locally 'owned' and not subject to any consistent evaluation then can they truly be considered to exist?

The answer of course is yes. There are people on the payroll doing 'stuff' (one assumes) and money is being spent. But they could be delivering far more value if you had better governance... which starts with (wait for it)...

BETTER PRIORITIZATION!

For some, this simple step of getting all the projects in one place is a huge value step in its own right, even before you apply prioritization rigor.

Also consider the value of consolidating shadow portfolios of work, squirrelled away as 'business as usual' to support the agenda of a specific director, when they could be used to drive the strategy of the business.

10 signs of a broken project prioritization process

08 No clear process or criteria for selecting projects

We often ask people how they currently do prioritization. Then we get a slightly awkward pause, before they tell us that (basically) they muddle along until things go wrong (which is when they talk to us).

Or perhaps they have a review process that hangs off the side of budgeting. So not a prioritization process, more a horse trading exercise swapping headcount for projects, as frustrated execs attempt to deliver their agendas.

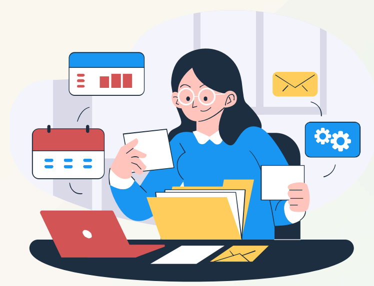
The key is that they skip the step where they align on objectives, and dive straight into a land grab / beauty parade, often leaving the delivery team to 'multitask' at >100% capacity, or make their own judgements based on who they want to annoy least.

Critically they usually decide setting criteria is 'too much work'... when in fact aligning the exec team behind a selection framework is an invaluable step that saves tons of time by giving clarity to the business. The key here is that disagreements don't get solved by ignoring them, they come from grown-up discussions that give everyone the chance to contribute.

As one CEO put it – "we should have done this years ago".

10 signs of a broken project prioritization process

07 Resource allocation is painful



Let's assume you have a set of projects agreed. This is only half the prioritization battle, because now you've got to figure out how to get them done.

Naturally the stakeholders are chuffed that their projects are approved, and expect work to commence immediately. The nitty-gritty of 'having people to actually do the work' is someone else's problem (probably yours...) **But what do you do when 5 projects all need the same person now?** Which 4 stakeholders get told to wait?

Good prioritization provides a simple answer by flagging the highest value work. Brilliant prioritization goes further, flipping the question to be,

> How can we schedule projects to maximize value, given our resource bottlenecks?

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10 signs of a broken project prioritization process

06 Disjointed local priorities

At number 6, is an old favorite: “Let’s push ownership to individual departments”. By letting them prioritize their own projects, surely their selections reflect the needs of the guys on the ground...?

The problem is that you end up with disjointed portfolios that reflect **local drivers rather than overall strategic goals...** if you’re lucky. Moreover, department managers are not usually experts at prioritizing so they’re also liable to fall into all the traps we’ve talked about.

Then you try and get these siloed teams to work together, and the complexity starts to get exponential as multiple creaky prioritization approaches try to knit together to get things done. No wonder frustrated execs end up mandating “special projects” to get anything important done.

We also hear a lot about two teams working on the same problem without talking to each other, forcing leadership to step in and resolve matters. Surely harnessing that drive to deliver via a joined up plan would be a far better use of executive energy?

Oh, and how do you decide what each department’s budget should be? Without a systematic way to compare backlogs it tends to revert to a combination of *“he who presents the best slides”* and *“last year plus a bit”*, which we know is not a winning formula.

10 signs of a broken project prioritization process

05 Stakeholders keep changing their minds

There is nothing quite as demotivating as creating something that nails the brief... only to find stakeholders have lost interest and have no intention of implementing the project. This may be because your stakeholders are idiots. But let's assume they are well meaning professionals, and ask how can we stop this level of waste from decimating the value of your portfolio.

The first point is to lock down what stakeholders need in order to deliver their objectives. Spend time to quantify this, and you'll save the hours many times over when it comes to not agreeing to work on the (seventeenth) 'great idea' the marketing director had over his cornflakes this morning.

Secondly, include stakeholder commitment as a criteria in your selection process. If there is clear sponsorship and a plan to extract value from the project then this should be recognized in scoring.

Finally, build a governance process which recognizes that value is not a static data point. Markets shift, understanding of problems evolves, and if the business case behind your project shifts too far south, then be alive to this, and be prepared to cut your losses on zombie projects.

10 signs of a broken project prioritization process

04 Most projects are priority 1

In at number 4 is "The Priority 1 Problem".

One of our customers had a portfolio of 80 projects – "When 60 projects have top priority, there is no priority." That's a whopping 75% of his projects tagged as Priority 1. Little wonder his team didn't know how to allocate resources.

This might be an extreme case but take a look at your portfolio. Specifically, look at the top-priority projects and see if they really are top priority. If some of them are not… well, it's time you looked at your prioritization process.

10 signs of a broken project prioritization process

03 Pet projects

We asked about Pet Projects on a recent webinar. "Is there any other kind?" came one reply... this is a massive problem that needs solving. What's going on here?

Well, it comes down to

Prioritization **Alignment**

If you don't prioritize your projects properly, you end up doing the boss' pet projects. This happens for two reasons:

- Firstly, there is a disconnect between project selection and business KPIs.
- Secondly, there is no process to apply the brakes when the boss gets it wrong.

10 signs of a broken project prioritization process

One famous example of this is the Amazon Fire Phone (what is that I hear you say... well exactly)

*"We poured surreal amounts of money into it, yet we all thought it had no value for the customer, which was the biggest irony. Whenever anyone asked why we were doing this, the answer was, **'Because Jeff wants it.'** No one thought the feature justified the cost to the project. No one. Absolutely no one."*

This is a particularly epic fail, but most portfolios have similar examples of their own, where a robust prioritization process would have stopped the waste.

Most leaders, when pushed, will value their goals ahead of their ideas. So if they have a bad idea, then the way to stop it is to show that it is not going to deliver their goals. We have seen this happen - directors happily surrendering their own pets when the data shows them they the wrong choices.

10 signs of a broken project prioritization process

02 He who shouts loudest

Imagine airport immigration without any queuing system. No line for families, no line for citizens, no portable barriers to control who's turn it is next. And definitely not enough staff on duty. Just a massive huddle of tired travellers all competing to get through as fast as possible.

That's your backlog without a proper prioritization process.

Every director is pushing their agenda. Deliver teams are desperately trying to avoid work because they're already stacked. Volumes rise, and eventually, the winner is the Loudest Voice, the loser is everybody else.

Not only does this usually end up with the wrong projects, it also creates a culture which rewards poor behaviour. The Loudest Voice gets promoted on the back of the results he gets from hogging resources, while more thoughtful leaders see their future elsewhere.

One note of caution for when you decide it's time to move to a proper prioritization process. Work out who is currently the Loudest Voice and make sure they buy into why things are not working, because for them things might seem to be working fine, so they might well (loudly) question the need for prioritization.

10 signs of a broken project prioritization process

01 Too many projects

Some people talk about having too many projects, others worry about having too few resources. These are the same thing - an imbalance between the volume of work and the resources available to deliver it.

This is toxic and leads to project failure. It's easy to see why; too many projects means people are job-swapping (inefficiently) and, because they're rushing you don't get their best efforts. Little wonder that PMI research shows productivity drops 40% when PM's have to multi-task.

If you have too many projects your prioritization process is broken. There's no other reason. Your project success rates are probably lower than they should be, your people are stressed, yet the fix is quite quick and easy: a new project prioritization process.

It's often said that less is more – you just need to know which projects to send to the back of the line.

Learn more: Too many projects - The Ultimate Guide

Project prioritization methods

If you're still nodding, you need a prioritization solution. Before you rush off and open a spreadsheet, **it's important to choose a methodology that suits your organization**. There are many, but we'll focus on the most common:

Commonly used methodologies:

These approaches have no Decision Science basis, but chances are you know at least one already:

01. ROI MODEL

Traditional finance tool for determining value, loved by CFOs for decades, but liable to underplay the value of hard-to-quantify criteria such as strategic impact, stakeholder engagement and risk. NPV and Payback are similar finance-orientated models.

Project prioritization methods

02. PRODUCT METHODOLOGIES

Lots of snappy-sounding methodologies have emerged from the product management space - *Kano, MoSCoW, Rice*. While all have virtues in a contained product/feature backlog they tend to be too narrow to deliver strategic alignment, so they are not advisable for a broader PMO brief. We've seen people try and it wasn't pretty.

03. LOUDEST VOICE

aka Squeaky Wheel. Simply put a political bun fight typically played out through the budgeting process, which tends to favor those managers who are best at spinning up a compelling-looking business case. Street smart managers may well like this approach because they are good at it, but it creates an agency problem, whereby prioritization is as much about career development as it is doing the right thing. This is a terrible way to prioritize anything.

04. SCORING MODEL

Define criteria in a spreadsheet, and score projects to produce an overall score for each competing project. This approach has the benefit of being flexible and delivering a quantified outcome. However, there are flaws with home-grown spreadsheets.

Project prioritization methods

Firstly, a criteria model built without Decision Science invites a series of structural mistakes that AHP best practice has already solved for. Then weights applied tend to be the arbitrary choice of the 'HIPPO', ignoring decades of Decision Science in favor of picking a number that 'feels about right'. Likewise, project scoring scales are often pretty random, creating plateaus in models. Add to this a lack of collaboration and you soon have a black box 'magic spreadsheet' which nobody trusts.

Validated by Decision Science

In case you don't have time to review hundreds of methodologies for Project Prioritization, **The University of New South Wales** have done you a favor and narrowed down the field two recommendations:

ANALYTIC HIERARCHY PROCESS

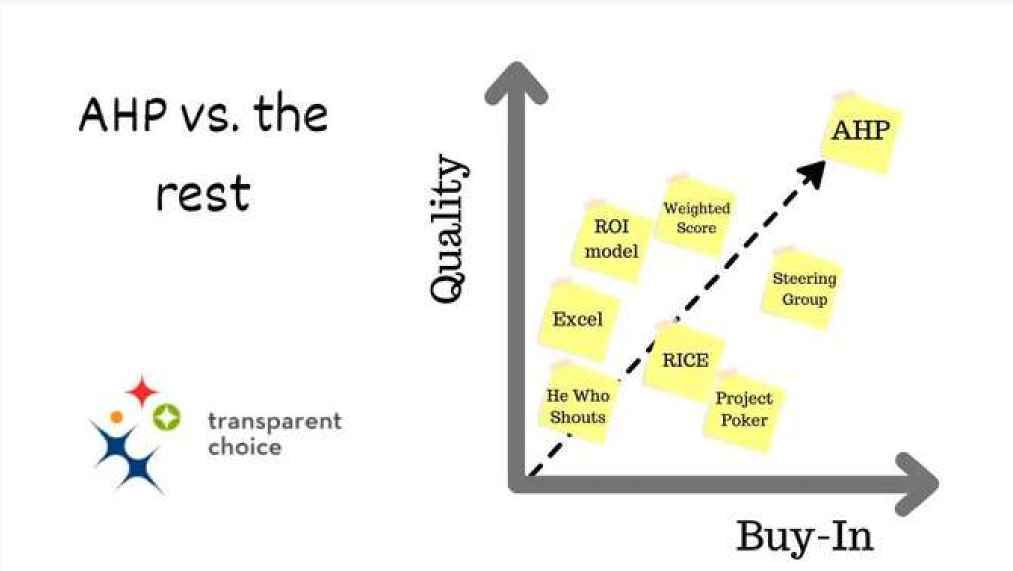
Analytic Hierarchy Process (AHP) is a project prioritization method that's designed to reduce human error (noise, bias, blind spots, anchoring...) while encouraging outcome-orientated collaboration.. It's easy to understand and, with appropriate tools, it's straightforward to implement.

Project prioritization methods

DATA ENVELOPMENT ANALYSIS

Data Envelopment Analysis (DEA) is the other method that was discovered to be "suitable" for prioritization in complex organizations. While it's a valid method, it is also rather difficult to implement successfully, so we don't advise using it.

This is why we believe AHP is the best approach for prioritizing your portfolio and why we've built it into our software. It combines best-in-class for quality and buy-in. Putting it alongside these other options, we believe it's a clear winner on both fronts:



Want to dig deeper? Check out our blog.

AHP is the best practice for Project Prioritization

Committing to use AHP is a fantastic decision, but it's important to understand why it's such a strong solution, so you can deploy it to maximum effect, and get your colleagues on-board.

Defining value is tricky

Every organization aspires to deliver 'value' - be it shareholder value for corporates, societal value for an NGO or public service value for government. But "value" is a vague concept that will mean different things to different people, even within the same team.

AHP turns it into a quantified framework that considers competing versions of the truth – we show you how below. With this clarity value stops being a buzzword and becomes a North Star.

Decision Science Matters

AHP is built with academically validated **mathematical** features. We don't expect a PMO to spend a lot of time on eigenvectors, normalization or consistency scores, but simply ignoring them, and 'having a go' yourself in a spreadsheet is not best practice.

AHP is the best practice for Project Prioritization

Likewise, there are important lessons from **psychology** built into AHP. Again, the PMO doesn't need to know the details about noise, bias, anchoring or blind spots, but pretending they'll have no influence on their spreadsheet is a rather extreme example of optimism bias.

Collaboration needs scaffolding

Again, most progressive companies know that harnessing the insight and creativity of experts outside the boardroom delivers a competitive advantage. But they also know that endless meetings can paralyze decision making.

AHP provides a format to deconstruct complex decisions into solvable chunks, encouraging debate but never at the expense of an actionable outcome. Again, this **makes teamwork a reality** rather than a box you tick while shouting / spending hours on a PowerPoint / building a spreadsheet everyone thinks is garbage.

AHP is the best practice for Project Prioritization

Buy-in improves delivery

A bad model breeds bad behaviour. Stakeholders operate rogue parallel processes to protect 'their' projects. Delivery teams second guess briefs, on the basis that they know leadership will change their mind next month.

AHP creates a platform for defining best practice that people can trust. When plans are published, they know they are aligned, fair and well thought through, giving teams the confidence to **focus on execution.**

Check out this blog if you would like to drill into more detail or Book a meeting to talk it through with one of our experts.

How to prioritize projects

To implement brilliant project prioritization, we recommend a **six-step process**:

01 Build a Plan

02 Define Criteria

03 Weight Criteria

04 Collect Projects

05 Score Projects

06 Analyse Results

In this guide we'll give you an introduction to how AHP-powered prioritization works. When you're ready to learn more, why not check out our Transparent Talks series, where we explore these steps in detail in a series of webinars from our leadership team.

How to prioritize projects

01 Build a plan

You feel *prioritization* isn't working, but now you need to define exactly what it is you are going to fix. We recommend a simple checklist:

Define portfolios. Prioritization works best when it is homogenous. You can't compare renovating the staff loos to transforming the marketing strategy, so put your projects into buckets.

Get people engaged. Fixing prioritization is a change process, and it's critical to know who needs to join you on this journey, for both senior sign-off and peer group influencers. Create a compelling slide deck - you can use this to help.

Fix milestones. Prioritization can be done well in 6-8 weeks if you focus. Or you can be more gradualist to build buy-in, but failing to set an appropriate cadence can lead to drift. We have a blog on this.

How to prioritize projects

02 Project prioritization criteria

Your portfolio exists to deliver value, but what does “value” mean? It probably means different things to everyone, so it’s key to define and align on what *really* matters. Bring together key stakeholders to brainstorm a list of portfolio goals. These will become the criteria for scoring and prioritizing your projects. When you are thinking about **criteria it's really the pros and cons for doing projects.**

Typically, Project Prioritization Criteria fit into these **six themes**:

- **Short-term goals:** Objectives, Financial KPIs, service levels - stuff people get bonused on.
- **Strategic goals:** The CEO's vision, consultant's report, off-site slides, or formal policy statements. Strategic goals are usually written down, so build them into your model.
- **Efficiency gains:** Levers to pull to drive productivity - automation, eliminating duplication and increasing cadence for core processes, for example.
- **Stakeholder support:** Service is key for internal support functions. Commitments to colleagues, suppliers or the environment are all potential broader considerations.

How to prioritize projects

02 Project prioritization criteria

- **Business Risk:** Reducing risk is another reason to do projects, whether that's reputational, cyber, regulatory, tech debt, or something else.
- **Project Risk:** Some projects are riskier than others. Measuring the potential for the likelihood of things going wrong will up-weight 'safer' choices in your portfolio.

Read more in this blog to understand these project prioritization criteria examples.

If you're ready to *really* get stuck in, then download this free e-book for **project prioritization criteria examples**.

Why not check out this webinar from award winning lecturer, Professor Robert Camanho?

How to prioritize projects

03 Weight project prioritization criteria

Not all criteria are equally important, so they need to be weighted to build a scoring framework. For this we recommend **pairwise.**

By asking your executive team about the relative importance of competing criteria you are forcing them to quantify what really matters. This is a critical step in building a scoring model capable to distinguishing critical projects from average ones. There's critical Decision Science logic at play.

There's critical **Decision Science logic** at play. People work better with relative judgements (which tree is taller?) than they do with absolute estimates (how tall are those two trees?)

This is why pairwise works better than coming up with a set of 'gut feel' weights (it's 23.7!). Another mathematic benefit of pairwise is the ability to identify where your own value judgements are inconsistent with themselves – enabling scores to be fine-tuned to increase accuracy.

This is a big reason why AHP is better than a weighted scoring model in Excel.

How to prioritize projects

03 Weight project prioritization criteria

Also note that we said executive team. Setting up weights is a team sport, and it's where your leaders can put their empathy training to good use. Different directors will have different perspectives on what matters. By having a structured conversation, you can zoom in on areas of misalignment, then use your time to resolve these conflicts.

The result is not only an AHP scoring model for projects, it's also better alignment within your C-Suite. That's a real win-win. Read more about Pairwise here.

04 Project prioritization data collection

Before we score projects, we need to collect them, along with useful data we'll need in our process. Here's a quick checklist:

Project submissions. Do you need an ideation process, downloads from PPM tools or a project amnesty from the shadow portfolios hiding around your organization?

How to prioritize projects

Resource requirements. Ensure prioritization feeds seamlessly into how resources get allocated. Consider both funding (should we do this) and resourcing (can we do this).

Contextual data. The basics are typically department, sponsor, and urgency, but every case is unique. The key question is do I need this data to either score projects, schedule resources or build a balanced portfolio? If no, leave it out.

Stage gates & automation. Will you have a multi-staged review to weed out poor proposals, or a step to assign seed funding for research? A clear process is key if you have a large portfolio.

Manage regulation. For regulated sectors why not add a "must do" model to identify the real mandatory projects. These don't need to be prioritized, just scheduled.

How to prioritize projects

05 Score projects

You now have an AHP model and projects to score, so you can start assessing:

- **Score with hard data**

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- **Make criteria scoreable**

  Use quantified bands and precise language to create a scale - like a Likert Scale from a psychometric test.

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- **Review disagreements.**

  Focus on areas of misalignment within your scoring. Resolving these points as a team will add huge value to your data.

At this point, you're basically documenting a business case for each project in a way that allows quantitative, non-emotional assessment. Which sounds pretty handy to me.

How to prioritize projects

06 Publish scoring model

You're almost ready to select your portfolio, but first, it's important to socialize the outcome of your review, as buy-in is critical to success:

- **Define Value for Money.**

This will be your **North Star KPI**, so it's key to decide how you will quantify the effort involved in delivery. A simple dollar value, FTE days or a blend all work. More on this next.

- **Shareable dashboards.**

Show stakeholders scores for their projects, so the dialogue isn't just 'computer says yes / no', it's a grown-up discussion of project value vs. project cost, which everyone can see is fair and thorough

- **Fix Portfolio KPIs.**

Set resource limits to identify bottlenecks and provide a cut-off for project selection. For quantifiable criteria, such as revenue, add targets. These can become your portfolio OKRs – that's one less job for later (you're welcome).

- **Add 'lenses' for balance.**

Identify relevant overlays. For example, Risk vs. Value for Money is useful, as is a simple funding split by department. More on this next too.

For more on visualization check out this blog or book a meeting to see how this process works in our software.

How to prioritize projects

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Project Selection – 7 key overlays

A scoring model quantifies project value - we now need to add contextual data to create a project prioritization framework.

While every process is different, **there are 7 considerations we see clients using**. Using all may be overkill, so decide which ones are most relevant for you:

01 **Portfolio prioritization**

02 **Resource prioritization**

03 **Budget allocations**

04 **Urgency**

05 **Project risk**

06 **Strategic alignment**

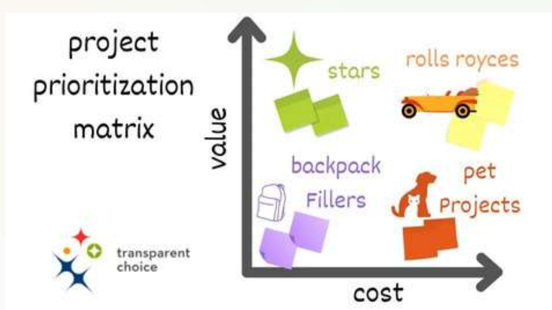
07 **Portfolio roadmaps**

Project Selection – 7 key overlays

01. PORTFOLIO PRIORITIZATION

Project prioritization gives you a score for each project. It represents how much strategic value that project will deliver to your organization, but picking projects is about maximizing impact in a world where you have limited budget and resources. In that world, value for money matters. The simplest option is to **compare value against cost.**

- Where value is high and cost is low, then it's a **Star** and should be your priorty 1 items. For high cost, low value it's a **pet project**. Killing these projects is a great way to prevent that 20% waste from entering your portfolio.



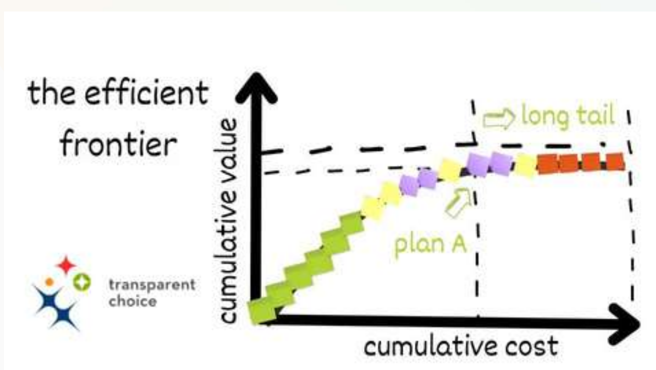
At the core of any credible prioritization solution is this chart. The key point of difference for AHP is that data for **"value"** and **"costs"** will be rock-solid; built using decision science and collaboration.

Project Selection – 7 key overlays

- The **'Efficient Frontier'** ranks projects based on their value. This way you can identify the obvious winners, then work out how many more projects you can afford before the budget is gone. From this you can easily differentiate between 'Plan A' priorities and the long tail within your portfolio.
- Better yet, use data to inform you where the budget cut-off should be for a given portfolio. You might just find that you can cut significant budget without losing significant value – what a win!

This analysis brings to mind an old marketing adage, *"I know half of my spend is wasted... I just don't know which half".*

It's the same for a portfolio... except now you do know which half **before you've spent the money**. So ask yourself this - If you cannot produce this view of your portoflio, are you doing prioritzation properly?



Check out this blog to learn more about how data drives decision making for portfolio management.

Project Selection – 7 key overlays

02. RESOURCE PRIORITIZATION

Projects fail if they do not have the right resources. Managing this risk starts during prioritization:

Match work you take on with the resource available. Add a utilization buffer to protect deadlines with contingency, since we know **"Murphy's Law"** will render our initial estimates wrong.

Productivity starts declining after 80% utilization, so resist the temptation to stuff in 'just one more' project (even a wafer thin one) as it will dilute overall value delivery.

Identify over-stretched resources early in the planning cycle and look for ways to increase bandwidth, for example outsourcing low-value business as usual tasks or automation.

Make smart calls about fungible resource - e.g. use open headcount to fix bottlenecks, rather than backfilling every role (CFO will love this).

Where value for money is similar, favor projects which do not need a key in-demand resources, therefore getting the most from the teams in place.

For more on this check out this webinar with our partner and project flow guru, Mike Hannan.

Project Selection – 7 key overlays

03. EFFECTIVE BUDGET ALLOCATION

When we split our project backlog into 'buckets' we implicitly decided to prioritize within each portfolio. However, we didn't make a call on the level of funding each separate portfolio would get. To do this is as much art as science, but clean data means options:

- First off, make sure you have a consistent **definition of cost**/ resource across your portfolios. If Team A talk dollars, and Team B talk people you're already in a tangle.
- Deal with **mandatory projects** first. Validate they are really must-do, then commit them into the plan. What's left can then be prioritized.
- **Build 'Plan A'** for each portfolio based on eliminating the long tail of low value projects. This may be enough. If it is not you need to iterate to decide which portfolio to trim.
- Split the pot based on **fair share**. While not the most agile approach, this is probably closest to how things work in the real world today.
- Make a macro-level call informed by the **efficient frontier** for each portfolio so your budget goes where it delivers the best *incremental* value.
- Create **one big company backlog**. Bit radical, but you can put all the value scores into one model and see where the split comes out. Let forward looking value not 'last year' be your key budget driver.

Whatever approach it's likely to be an **iterative process**. Try offering leadership choices, where they can see which projects drop given different preferences, so it's them saying no to projects not you!

Project Selection – 7 key overlays

04. IMPORTANCE VS. URGENCY

The urgency of a project can be a key piece of data. However, 'urgent' does not have to mean drop everything to do it:

- A project's value does not increase if it's urgent. A low-value proposal is not worthwhile even if it's 'needed' NOW. This is why **urgency is not a good criterion**.
- A classic Eisenhower matrix approach would be to plot value (or value for money) vs. urgency as a lens on final prioritization.
- **Urgency is subjective**. Consider asking 3+ people their point of view to avoid being misled by a single over-excitable stakeholder (you know the one).
- **Control the mix** of mid-value 'urgent' items with higher value strategic projects to avoid getting stuck in a cycle of continually ignoring game changing opportunities.
- Use urgency to help **inform your roadmap**. Pin items in with specific deadlines, then build around them to maximize resource utilization.

Put simply, avoid being the **busy fool** – always overworked, but never delivering the big wins that really make a difference.

Project Selection – 7 key overlays

05. MANAGING PROJECT RISK

For some portfolios the level of risk associated with a project is important. Project riskiness can be either a criterion inside the model or an additional lens on selection. Potential types of risk include:

- **Disruption.** If your project is likely to get in the way of BAU operations, it's important to know this up front.
- **Organizational readiness.** Are stakeholders ready to realize the value of the amazing work you're doing? If not, that is a critical risk in your model.
- **Complexity.** Projects that rely on multiple teams coordinating are simply more likely to go wrong. Quantify this risk in your model
- **Dependencies.** Critical dependencies add risk, especially if there's a third party involved.
- **Reputational.** Doing projects can generate negative PR, which is important to consider at the planning stage.

For complex portfolios, **risk could be its own AHP model,** for simpler models it could be one branch in the core model. Either way it's about adding a step into selection that recognizes that risk is best identified before sign-off not after a governance car crash.

Project Selection – 7 key overlays

06. STRATEGIC PLANNING

When you are only driven by the total value, it's easy to end up with an unbalanced portfolio, one that neglects one of the criteria your C-Suite just told you was important.

- Check spending against each criterion in your model to see if you have good **alignment between funds and goals.** Don't 'miss' one, while over-delivering on another.
- If you have no good projects for a specific criterion, then **you have an ideation problem**. Hold back budget, while iterating the plan to fill the gap.
- **Track delivery** against this same framework: this will show you where you are on-track and where your strategy is at risk.

Strategic planning is a huge topic, but having a quantified value model means you can approach it with confidence.

Strategic Planning Guide

Project Selection – 7 key overlays

07. PORTFOLIO ROADMAP

Scheduling projects is important. After all, **starting all projects on January 1st** will lead to all the problems associated with having 'too many projects'. While detailed 'bottom-up' planning comes later (or not at all if you prefer agile), a high-level view of the year ahead has huge value:

- **Front-load** valuable projects to build momentum.
- **Manage expectations** on timing, giving leadership the chance to swap projects.
- **Resolve bottlenecks** proactively to reduce risk.
- **Iterate plans** with scenarios offering different trade-offs.

This won't happen in a spreadsheet without a lot of (your) pain, so consider the value of prioritization software in enabling dynamic planning.

Book a meeting to learn more.

Project prioritization tools

If you're building a prioritization toolkit you might be tempted to do so without specialist software. We believe that is a mistake for **5 reasons:**

- Effective prioritization needs quality data
- Complex portfolios need a structure
- Excel is the wrong tool for the job
- Artificial Intelligence is a practical way to improve planning
- Free solutions have hidden costs

Project prioritization tools

Good prioritization is more than a number

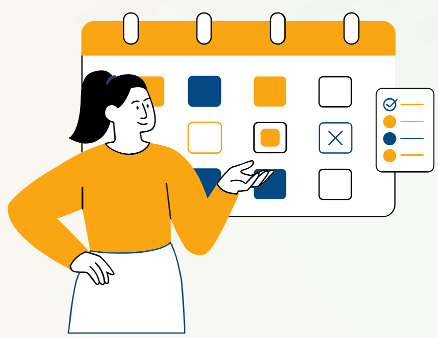
AHP is more than a 0-100 number for a project. It's a data-led process that uses decision science to bring teams together. Most PPM tools will have a field for prioritization, or a way to tag projects based on strategic alignment but tend to suffer from the old adage - '**garbage in, garbage out'.**

Consider, the reliability of those numbers, then compare it to the awesomeness of matching up your shiny new PPM tool with quality prioritization data. Think of it like putting the *premium gas* in your fancy new car (*you just would, wouldn't you?*)

Project prioritization tools

Large portfolios are complex

Looking after a diverse set of projects and delivering a range of goals for multiple stakeholders makes prioritization tricky. The metaphor we hear most is like **"herding cats".** Do any of these sound familiar?



- Competing departments with hard to reconcile success criteria?
- Cross-functional projects, where getting alignment feels like pulling teeth?
- Delivery teams and front-line teams at odds, with no escalation process?
- CEO has a strategy, but people find it hard to relate to their "To Do" list?
- Byzantine budget allocation process that makes you wince to think about?

We call this the 'spaghetti-mess' challenge, and solving it has huge upside. Pretending it doesn't exist does not.

Project prioritization tools

Excel hurts

When you tell your executives that prioritization needs fixing, someone will most likely pipe up, *"let's just do this ourselves in a spreadsheet".* **DO NOT AGREE**

- A model put together in a spreadsheet will likely not follow all the rules of decision science. That's why your execs then call out the project down at the bottom of your Excel table and promote it to "must do status": your model doesn't reflect reality!
- You could do basic AHP in a spreadsheet if you have the time to learn it. But don't forget that AHP works because it structures collaboration between stakeholders, building buy-in. Excel doesn't.
- Excel can be brittle, so when you update your model there will be a lot of scope for a bug to mess up your results / career.
- Excel isn't designed for version control and data collection, so accountability is poor, stress is high.
- Don't re-invent the wheel. Prioritization is not a new challenge. Focus your energy on driving change, not becoming a spreadsheet jockey.

Check out this blog for spreadsheet war stories.

Project prioritization tools

Unleash the power of AI

New technology, specifically artificial intelligence (AI), is changing the way organizations can use prioritization and scoring data.

- For example, ***TransparentChoice uses AI*** to find the optimal set of projects given your resource constraints. This not only allows you to eke out more value from those resources, but it also allows you to run multiple what-if resourcing scenarios then compare the optimized portfolio for each.

Your execs will love that, while the magic button will become your new best friend.

Project prioritization tools

‘Free’ can be costly

Your portfolio represents an investment of millions of dollars. It only takes a small improvement in prioritization to generate a huge return. And we know that good prioritization can do so much more than small gains.

Remember, 20% of a typical portfolio is waste, so if you’re spending $10m a year on projects, that’s $2m waste. Ouch.

20%

But it’s worse than that. That 20% should be generating strategic return – let’s say you expect an average of 3x. In that case, you’re missing out on $6m of extra value. Every year. Cumulatively...

That’s one expensive spreadsheet... so ask yourself, can your spreadsheet:

- Identify the 20% waste found in an average portfolio?
- Drive up delivery KPIs by reducing ‘too many projects’?
- Improve strategic execution with alignment to high level goals?
- Reduce opportunity cost of being late to market due to resource problems?
- Provide the basis for cumulative outperformance vs. competition?

If the answer to the above is 'no' then it's time to think about the business case for fixing prioritization, or book a meeting to talk through what a best-in-class prioritization tool could do for your portfolio.

The Business Case for prioritization

"Priorities change and, if managed successfully, have the capacity to fundamentally change organizations, but only if top management makes tough choices"
- Antonio Nieto-Rodriguez, Harvard Business Review

The process of prioritization are usually owned by the PMO or the business planning team. The titles vary, but there is a common theme: **put in place tools and processes that enable leadership to direct resources** to where they are most needed.

While this is never easy, these **5 simple steps** are proven to work:

- **Know your key pain-points.** Effective prioritization delivers in many ways. This could be a focus on ROI, strategic delivery, process improvements, supporting people or best practice for governance; the key is to know the main things you are solving, and to prove that you can deliver.

- **Quantify the win.** Identify the levers for delivering a financial return. Typically, this comes from reducing waste, increasing productivity and being faster-to-market for high value projects. If your portfolio is large enough the up-front costs will be highly affordable.

- **Identify quick wins.** Find a portfolio to act as proof of concept. Show success, build momentum, scale prioritization. Don't get stuck trying to plan everything up front.

The Business Case for prioritization

- **Manage expectations.** If prioritization isn't working, don't expect it to get resolved without time and money. Chances are this is not a new challenge, so be honest about why this needs to be on the agenda now. Discuss the change management component of delivering prioritization.

- **Empower the PMO.** The failure rate for new PMOs is startling (especially if you are a new PMO yourself...) To make sure this function is able to deliver there must be a commitment to resolving prioritization as a non-negotiable part of the PMO mandate.

Want help building your business case? We've helped many clients successfully negotiate even the fiercest of CFOs

Book a meeting now for a free consultation.

Next Steps for Fixing Prioritization

If you're still reading then I suspect you know you need to fix prioritization.

Here are 6 steps to get started:

- **Prioritization healthcheck.** This could be as simple as listing warning signals you recognize from our list above, or a full-on consultancy engagement (we have fantastic partners for this).

- **Engage decision makers.** You'll need the boss (and probably their boss) on board. Check out our handy slide summary of this guide to help make the case, or download the full guide as a PDF.

- **Build a business case.** Consider the *opportunity cost* of not fixing prioritization, and then ask yourself, is my spreadsheet really 'free'? ... and can I afford to ignore this?

- **Identify criteria.** Start with a simple review of projects' pros and cons & existing documentation. When you're ready for detail, check out our project prioritization criteria guide.

- **Research project prioritization tools**. We believe Transparent Choice is the best, but if you're shopping around here's what to look out for. Be wary of anything not based on Decision Science.

- **Schedule a Demo.** AHP is the best-in-class approach for prioritization. Better than a PPM tool, a spreadsheet, or even a magic-Eightball. Book a meeting to see how it could work for you.

Next Steps for Fixing Prioritization

Not feeling quite ready to start? Implementing quality prioritization is a change process, so it may be that you need to consider you're going to make that happen first - check out this blog for more.

Free webinars

Learn more about project prioritization from these free webinars.

- Transparent Talk series by Stuart Easton and Dan Dures.
- Criteria made Simple by Roberto Camanho
- Value-based Project Prioritization: Getting Started by Dr. James Brown
- Why AHP-based project prioritization is different by Stuart Easton