Project Prioritization: The Ultimate Guide

https://www.transparentchoice.com/project-prioritization

Project prioritization is the foundation for successfully implementing projects. It's where you align your projects to strategy. It's where you win executive sponsorship and support. It's where you identify and eliminate waste.

Poor prioritization leads to project failure and, ultimately, missed business goals. Done well, a good project prioritization process will allow you to strategically align your resource allocation decisions while delivering more successful projects.

TransparentChoice is a leading provider of project prioritization software around the world. We've learned a thing or two over the years and this page is where we share that learning with you. Our goal is simply to help you improve business outcomes by improving the project prioritization foundations.

We're going to dig deep into **project prioritization**, but feel free to jump to any section that interests you:

Overview

Prioritizing projects is one of the most important capabilities for any organization that runs projects. It is where the entire success of your portfolio begins.

Project prioritization is where you:

- align your projects with your strategy
- quantify which projects add value and which don't

- balance the volume of projects you take on with you capability to deliver those projects
- focus your whole project delivery team on business benefits

In plain English, prioritization is a process where you work out which projects are the most important so that you can focus your resources on successfully delivering those value-added projects.

It is the first, crucial step in building a strong and balanced portfolio of projects and for making effective resource allocation decisions when executing those projects.

There are good ways and bad ways to prioritize projects. There are traps you can fall in to.

Why Prioritize Projects?

Many organizations think of project prioritization as a budgeting process, but prioritizing projects is so much more than that.

Organizations that invest in strategic prioritization deliver 40% more value.

This seems like reason enough to invest in improving the project prioritization process, yet many organizations don't even realize that their current process is broken; it's evolved over time, it worked last year so it will work next year.

The environment is changing around us all the time, and if we don't have a well-structured process for recognizing and reacting to the change, and doing so in a way that enjoys broad executive support, then your organization will fail in its business goals.

This is kind of obvious, but if you improve your project prioritization process and select a portfolio that better reflects your goals and priorities you will get benefits in the following areas:

- **Increased project success rate.** Projects that are well aligned with strategy are 57% more likely to succeed (PMI data). Good prioritization ensures your projects are aligned and that fewer fail. This is partly about better exec sponsorship, partly about stronger engagement from "the business" for strategically aligned project and partly about deploying resources more strategically -- we cover this in more detail later.
- **Higher return on investment.** Projects that are better aligned with corporate goals will naturally deliver more value to the organization. Align the whole portfolio and you're looking at a significant leap in return on investment. Of course, value doesn't just mean money. Value can come in all kinds of forms and means different things to different people. Measuring "return on investment" is

not necessarily as simple as it initially sounds - this is one of the things that makes good prioritization difficult. Our guide to Return on Investment goes into more detail on the challenges of measuring RoI.

- **Better quality of project requests.** When your managers understand the strategic goals of your organization, they align their initiatives with those goals. They are able to brainstorm ways of improving performance against those strategic drivers rather than reacting to "local problems" - ultimately, this leads to better quality projects being requested.
- **Eliminate obsolete projects.** A structured project prioritization process will ensure that only well-aligned projects are approved and that any projects that become obsolete will be caught early. We typically find that between 10% and 40% of a portfolio is not well aligned to strategy and is, therefore, waste.... just imagine what you could achieve if you just stopped doing those projects!
- **Project team commitment.** Transparent, value-based prioritization means that project teams understand why their projects are important. This builds trust in the portfolio and individuals commit more fully to completing projects, as highlighted by research from Stanford University.
- **Executive sponsorship.** When every project is tightly aligned with specific strategic goals or operational targets, it helps maintain the executive sponsorship that can make-or-break a project.
- **Resources allocation.** When an organization commits to too many projects it is locking in project failure. When resources are stretched, or when they "project hop", they become less efficient and make make mistakes. A good project prioritization process will allow you to "right size" your portfolio while having a clearly prioritized list of projects means that resources can be more effectively allocated during implementation. This will help increase project velocity and will help reduce project risk - this webinar goes into more detail.
- **In-project decisions.** Every member of a project team makes decisions. It may be something as trivial as the design of a page or something as fundamental as selecting a vendor, but all these decisions contribute to the success (or failure) of a project. Project teams are able to make better decisions when they understand the goals and drivers of the project and a good project prioritization process will deliver that clarity.

How Prioritizing Projects Improves Project Success Rates

In the 2017 PMI Pulse of the Profession report, it was clear that the very best organizations have far higher project success rates than everyone else. For example, the top performers deliver 7.5x more projects on time than weak performers - that's a simply massive difference. The key thing these organizations do differently to "the rest" is that they have a real focus on strategically managing their portfolio - they ensure that projects are aligned to strategy and that their resources are deployed to support the most important projects.

So, if you are responsible for delivering projects, prioritizing projects should be your first priority.

We can see why this works if we look at the statistics. Strategically aligned projects are:

- 57% more likely to achieve their business goal
- 50% more likely to finish on time
- 45% more likely to finish on budget

Organizations that fail to properly prioritize typically end up with too many projects. This reduces the efficiency of your team and increases project failure rates.

In contrast, prioritizing projects let you align resources to support those projects that are truly important ensuring their success.

This free e-Book shows how you can boost project success rates simply by prioritizing projects more effectively.

Project Prioritization Process

Step 1. Value definition

Your portfolio exists to deliver strategic value to the organization, but what does "strategic value" mean? Whose definition should we use?

The process of prioritizing projects starts by bringing together your key stakeholders to brainstorm a (fairly short) list of strategic goals for your organization. These goals become the criteria for scoring and prioritizing your projects.

This e-book will help you get started with over 80 different sample criteria to get your creative juices flowing. It also includes some tips for better brainstorming: Sample Project Prioritization Criteria

Better yet, in this on-demand webinar, award-winning researcher (and practitioner) Roberto Camanho shares his tips and techniques for identifying the best project prioritization criteria for your organization. This is a must-watch webinar for anyone who wants to improve their project prioritization process.

To learn more about how to build your value definition, read this blog: How to Prioritize Projects: 4 Steps.

Step 2. Weight your criteria

Not all your criteria are equally important so they need to be weighted.

The problem is that each stakeholder will have a different view of the relative importance of each criterion. If you don't take the time to really build agreement around the weighting of criteria - how the value of each project is going to be measured - then the decisions made based on these criteria will be wrong.

This step, in other words, is the foundation of all prioritization, project selection and project implementation. Get it wrong and everything else fails.

To learn more about how to weight your criteria, read this blog: [How to Prioritize Projects: 4 Steps].

Here are some more resources about criteria:

[A quick infograph that highlights top 4 signs your project prioritization criteria just won't work.]

[On demand webinar on project prioritization criteria by Roberto Camanho.]

Step 3. Evaluate and score your projects

Once you know your evaluation criteria, you can start evaluating projects against your criteria and against your existing portfolio.

To do this, you need to:

- Capture basic information about your project,
- Score each project against the criteria,
- Estimates of the cost / resources required to deliver the project,
- Estimate the risk of each project,
- Capture any other information you might need to balance your portfolio (e.g. organizational unit, change impact, etc.)

In effect, this is documenting and setting out a business case for each project (even if it's a simple one), but doing it in a way that allows quantitative, non-emotional assessment.

Learn more: [How to Prioritize Projects: 4 Steps].

Step 4. Calculate your prioritized list of projects

Now you're ready to bring together the weighted criteria and the score for each project. This is simple math. You calculate the total score using a weighted sum model (multiply the score for each criterion by the weight of that criterion and add them all up).

This will give you a score - a measure of the overall value to the organization - for each project. If you've engaged your stakeholders properly (see step 2) you are now ready to use this score to start selecting projects, figuring out how to allocate resources to current projects and more.

But selecting projects is not as simple as taking the highest scoring project and executing that one first.

Learn more: How to Prioritize Projects: 4 Steps.

Picking a Balanced Portfolio of Projects

Value for money matters

Project prioritization gives you a score for each project. This score 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.

You can plot your projects on a chart with your priority score (from your prioritization process) on the vertical axis and the cost on the horizontal axis. Projects in the top-left are better value for money than ones in the bottom right.To calculate value for money, simply divide your priority score by the cost of your project.

Ranking projects based on value-for-money is a quick way to estimate what the “maximum value portfolio” will be given your budget constraints. This approach, however, only gives you a starting point for the discussion with your stakeholders.

There are other, more advanced optimization algorithms that will let you take into account not only budget, but also multiple other constraints... but even that is not the whole story.

Balancing your portfolio

If you can’t balance your portfolio, you will quickly see project failure rates (and frustration with the team delivering projects) rise. When you are only driven by the overall value, it’s easy to end up with an unbalanced portfolio. For example, if you are only driven by value you could (even though it’s unlikely) end up with one business unit being left unsupported - that is unlikely to be a good thing!

Balancing lets you:

- Match the work you take on with the resources you have to deliver
- Ensure you support all departments adequately
- Deliver value against your different strategic goals
- Ensure you don’t end up with a project that only includes highly risky projects

The key to being able to select a strong, well balanced portfolio is to ensure that your stakeholders feel a strong sense of ownership over the scoring model. The best way to ensure this happens is by using AHP to prioritize your projects.

It's also important to be able to see "balance" of project demand vs. resources as well as across organization departments, key themes or KPIs, etc. This not only helps make a better decision, but also drives buy-in and support for your portfolio.

Project prioritization, project execution and project success

Now it's time to roll your portfolio out to the project teams to execute. This is a great opportunity to share with the team your list of goals / criteria. This can really help project delivery teams make better in-project decisions simply because they know what you're trying to achieve.

Having a clear picture of which projects are most important means that resource managers can make quick and effective resource-allocation decisions. These decisions are based on data rather than being based on who's shouting the loudest.

Having a strong process for prioritizing projects means that each project is handed off to the delivery team with a clear statement about what the project is for, what value is expected from the project. This can be a really powerful tool to help a project manager manage the scope of the project reducing scope creep.

Putting this together, you now how important projects that are well-resourced with clear goals and strong executive support. And that is why well-aligned projects are 57% more likely to be successful in delivering the intended business value.

But it doesn't end there. Now you can turn your governance meetings into portfolio reviews as well. Simply update data on live projects, add in new project requests and you can keep your portfolio both strategically aligned and balanced in an environment where priorities and resources can change overnight.

Prioritizing Projects - The Best Techniques and Methods

Before you rush off and open up a spreadsheet, we have a warning - your spreadsheet model is not "suitable" for prioritizing projects.

Academics have looked at project prioritization in detail over the last few decades and have come to the conclusion that there are only two "proper methods" for prioritization.

They are called:

- Analytic Hierarchy Process (AHP)

- Data Envelopment Analysis (DEA)

Project prioritization is a tough problem. You have multiple criteria and multiple stakeholders, each stakeholder has a different view of what's valuable and failing to align these interests will undermine the whole project selection process. According to researchers, AHP and DEA are the ONLY methods that are "suitable" when prioritizing projects.

So what happens if you don't use one of these methods?

Simply put, you end up with a prioritization model that your stakeholders don't really trust. If they don't feel ownership of your model, if they don't trust it, they will start trying to "add just one more" or to promote pet projects. This is why organizations with what appear to be quite mature processes still end up with too many projects in the portfolio, with projects that fail and even with obsolete projects being executed.

Anecdotally, we see "waste" typically sitting in the range of 10% - 40% of the portfolio.

So, this isn't just a bunch of academics wasting time coming up with new ideas. It's about delivering more business value more reliably, and it starts with a solid prioritization process.

There are some good tools to help. AHP-based project prioritization software can make this a much quicker and simpler process than trying to prioritize in spreadsheets.

In other words, criteria weighting spreadsheets, prioritization matrices and PPM-vendor tools are simply not good practice. Only AHP and DEA should be used.

Should I Invest in Project Prioritization or in Project Implementation?

The point of running projects is to deliver strategic value to your organization. Of course, the definition of value will vary from organization to organization, but the point of doing projects is always about delivering that value.

There are only two levers you have to increase the value you deliver. First, you can make sure you're delivering the right projects.

The other lever is to improve the process of delivering projects. It seems obvious that, to improve project success rates, you must improve your delivery methodology.

Improving project delivery, however, involves changing the way your project delivery teams work - that's a lot of people across your organization. It may involve implementing new PPM tools, deploying new methodologies, retraining all your project delivery teams.

In short, it’s a big investment. And it’s slow.

In contrast, prioritizing projects is a very quick and easy win. It affects only a few people in a couple of meetings and can be implemented in just a few weeks. Prioritization has a massive impact as well; we’ve already seen that aligning your projects to your strategy dramatically increases project success rates.

Of course, you also need to focus on the project methodology, but prioritization is a quick win for any organization that delivers projects.

7 Signs You Need to Improve Project Prioritization

We've already covered the business case for project prioritization, the best methods for achieving good strategic alignment and the impact on project success rates of an improved project prioritization process... but how do you know that your organization has a problem?

Here are some signs that you have a problem presented as a pop-chart count-down.

Number 7: 75% of Your Projects Are Priority 1

In at number 7 is “The Priority 1 Problem”.

One of our customers had a portfolio of 80 projects – this is what he said; “When 60 projects have top priority, you can say 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 I challenge you to 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.

Number 6: Your Projects Are Obsolete Before They Are Finished

Coming in at Number 6 is “An Elephant in the Room”. It's a big one, but it's often invisible… simply because nobody looks for it. But that's what we want you to do; take a look at the last year or two worth of projects and see how many of them are still "valid". You might be shocked at how many are, in fact, obsolete.

One client I recently spoke to claimed that around a third of their projects were obsolete before they were even half way through the year!

What's going on here? Well, it comes down to prioritization and alignment. If you don't prioritize your projects, if you don't make decisions that are aligned with your business drivers then you’re making decisions based on what happened yesterday, or on the

Director’s pet project. If this is you, the truth is that your projects are not **becoming** obsolete... you are **picking** obsolete projects in the first place.

You're not alone. It turns out that a whopping 78% of respondents in a survey admitted that the “business is usually or always out of sync with project requirements”. No wonder there’s such a high obsolescence rate.

Every project that is obsolete is waste. And much of it is avoidable so let’s go elephant hunting!

Number 5: Project Prioritization is Highly Political

In at Number 5 is the one we call “blood on the wall!” A colourful metaphor, perhaps, but it’s the phrase customers use most often when talking about prioritization meetings.

Often, the executive team sits in a room and a succession of project sponsors troops in. The project sponsors are beaten to death… and much of the conversation is politically motivated, not issue-driven. Executives are really arguing about their position in the pecking order, their power, their budget, their influence.

This is a sure sign that your prioritization process is broken. You can fix it. One manager who recently deployed an AHP-based project prioritization process told me that they had got away from the political battles and now enjoy “a specific discussion about a specific point of opinion or fact, not a political discussion.” Cool!

Number 4: You Cannot Write Down a List of Prioritization Criteria

Okay, I bet you can. But is it the same list that Fred over in accounting would write down? Or Joan in sales? Thought not.

If you can’t say how you’re going to prioritize your projects, if you don't agree on how to measure strategic alignment… well, you can’t prioritize them.

In fact, our customers tell us that the process of coming up with a **prioritized list of criteria** is the most valuable part of their whole PMO programmes. Really!

One customer I spoke to recently put it like this; “We got some very essential discussions about priorities going with the executive board which we would not have had a year ago. We get the business involved, and get managers looking at the whole company, not just their own department. Everything else flows from there.”

Number 3: Your Departments Set Their Own Priorities

In at number 3, here is an old favourite: “Let’s push ownership out to the individual departments”. By letting them prioritize their own projects, surely their selections would reflect the needs of the guys on the ground…?

The problem is that you end up with a disjointed portfolio that reflects local drivers rather than overall strategic goals… if you're lucky. Unfortunately, department managers are not usually experts at prioritizing IT projects, so the projects they pick are not well prioritized and we're back to square one!

When you let departments pick their own projects, you also end up having to address the question of "how do I allocate budget across departments?" Just because one department has more people doesn't mean that it should always have a larger projects budget.

The fact that Product A has twice the sales of Product B doesn't mean that their budget should be twice as big. It makes no sense – and I suggest that it's *impossible* to put together a system for allocating budget to departments without first having a corporate level prioritization process.

One customer I spoke to a few weeks ago had project lists from each department, but he "…had no overall list, so I used my head and my stomach and made my own best guess of what the portfolio should be. But it was very clear to me that we needed to develop a more sophisticated model so we could select a good,*company wide* portfolio, not just one for each of the directors."

Number 2: Too Many Projects to Manage

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

This is really toxic and leads to project failure. It's easy to see why; too many projects means people are job-swapping (inefficient) and, because they're rushing, they make mistakes. Before you know it, you have cost overruns, late projects and outright failed projects on your hands.

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

Learn more: Too many projects - The Ultimate Guide

Number 1: Higher-than-ideal Project Failure

This is number 1 simply because it's the end result of all the others.

Academic research into the causes of project failure show that around a third of project failure happens before the project even begins.

Projects that are aligned with strategy are 57% more likely to achieve their business goal. Having too many projects drives project failure. Non-aligned projects don't enjoy ongoing exec sponsorship and fail...

Gartner pegs project success rates in the mid-60% range. If you want to move beyond that, they say, you need to focus not on project-level activities (templates, methodologies, etc.) but on portfolio level activities like prioritization.

The best organizations achieve project success rates that are massively better than "the rest" precisely because they focus on actively managing the portfolio and prioritization is absolutely central.

So, if your project failure rates are higher than you want them to be, it is time to review your project prioritization process.