



White Paper

## **Managing Project Priorities**

### **The Key to Delivering Continuous Business Value**

Project priorities are a headache for many organizations. Priorities are assigned at project approval but what happens if the situation changes during the project lifecycle. How well does your organization assign priorities and deal with the impact of changes?

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**Introduction**      Setting project priorities internally and externally to accommodate business demands is a challenge for many organizations. Internal business improvement initiatives are often competing for the same resources required to deliver customer outcomes. In this environment a transparent, easily understood and well managed approach to setting and managing priorities across the entire project portfolio is essential.

There is a fine balance between utilising scarce resources to build for future growth and getting on with the job of keeping the customer satisfied now. This balance has to be achieved in an environment where resource and time constraints are greater than ever before.

So how do successful organizations set and manage project priorities to keep as many of the balls in the air as possible while consistently delivering value both internally and to customers.

This paper looks at the current situation with regard to the drivers for getting priorities right, highlighting the problems that are being encountered, the implications of not addressing the problems and the payoffs to be realized through effectively managing project priorities.

**The Current Situation**      So what is driving the need for a consistent approach to setting and managing project priorities?

There is continuing trend within organizations to do more with less. This trend looks unlikely to reverse itself anytime soon. The project has become the preferred vehicle for implementing new initiatives for both internal and external customers.

Secondly, there are often differing approaches to managing priorities between the business units themselves as well as between the business units and the Project Office. A healthy project from the Project Offices perspective is one that is on specification, time and budget. The trend to manage by exception focuses management attention on the projects which are off track.

The business units tend to think in terms of risk and return in the context of their performance measures as the basis of project importance. For example Sales may feel their projects should have a higher priority as they represent revenue growth. Operations view might be in conflict based on the need to build better infrastructure to service more customers faster, cheaper and better. This is a healthy

conflict driven by the performance measures of each business unit. Reconciliation of these perspectives is critical to achieving alignment on how to best to set and manage project priorities to maximize business value and sustainability.

Finally, the Australian economy is in its longest ever growth cycle. For emerging markets in the domestic economy this presents an opportunity for prolonged growth. For maturing markets the focus is switching to entering new markets such as Asia. In both cases the abundance of opportunity places continuing pressure on scarce resources once again highlighting priority setting as a critical success factor for businesses.

Against this landscape three key issues need to be addressed:

- Validity of the Business Case
- Transparency of Process is Critical
- Managing Priorities Changes

Effective management of project priorities is dependant on getting the most value out of people, process and tools.

### **How valid is the business case?**

In an environment that continually demands “more with less” initial and ongoing business case validity becomes a key factor in deciding resource allocation. In many instances the business case is developed to obtain project approval and have a priority assigned. Then it is forgotten, at best until the end of the project and at worst altogether.

Budgeted project costs change over the lifecycle as delivery requirements become clearer. Each time the cost changes so does the business case. This situation can become more complex when customer contracts come into play. Each time there is a change in the factors affecting the business case, it needs to be tested for its ongoing validity and the current project priority revised.

The questions raised here are:

How do we ensure the business case is kept current during the life of the project?

How do we test the ongoing validity of the business case?

The implications of not continuously updating the business case can be poor project prioritization resulting in a reduction in value delivered and ineffective resource utilization.

Given a finite resource pool it is important to undertake those projects with the highest return otherwise resource utilization and value delivered are not optimized. Ineffective project priorities lead to the perception “we don’t have enough resources” when in fact there may be sufficient resources.

When managers believe they are under resourced they can adopt one of four courses of action:

- Do nothing
- Reallocate existing resources to higher priority projects
- Hire additional resources to cover the gaps
- Overload existing staff

The do nothing option has little impact on value delivered as poor prioritization has already compromised the value to the organization.

Reallocation of resources to another project of dubious priority is like jumping out of the frying pan into the fire. Inevitably it creates delays further reducing value and impacts negatively on resource utilization.

Hiring additional resources adds costs and does not necessarily result in an improved return.

Overloading existing resources is a short term fix but it reduces productivity, creates stress and increases staff turnover in the long term and adds cost to the organization.

A similar impact can be seen in terms of capital utilization as well.

Simply put organizations deliver “less with more” as a direct result of ineffective management of project priorities.

Ongoing validation of the business case is an essential part of the process of managing project priorities resulting in the organization being able to do “more with less”. The benefits include:

- Increased return on project investment
- More effective utilization of scarce resources

- Reinforces performance based culture through recognition of delivering value

## **Transparency of Process is Critical**

One of the most common problems associated with setting and managing priorities is transparency of process. Many organizations have a predefined set of priority classifications which are assigned to the project based on the perspective of the business owner and the project manager. The criteria for these classifications are often based on factors such as the net present value of revenue/cost savings, time to payback, risk and resource requirements.

This approach works well in an absolute sense for a specific project but often falls down from a relative perspective when trying to compare priorities between projects. It raises questions such as:

What are the right criteria for establishing project priorities?

Are they the same for internal as customer based projects?

How do you identify, develop and validate priorities both absolutely, for a single project, and relatively, for the portfolio to ensure optimal use of scarce resources?

One of the key factors in achieving transparency of process is getting the organization strategically aligned. Strategic alignment occurs when everyone in the organization understands the business strategy, their role in delivering it and are committed to achieving it. Simply put everyone pulling in the same direction.

Effective management is about removing any obstacles that stands in the way of achieving alignment. Projects are the preferred method of implementing a strategic initiative for most organizations. Ineffective management of project priorities is an obstacle inhibiting ability to deliver on the strategy.

Clearly the starting point for project priorities is to decide not only if it is viable according to financial and operational measures but also how well aligned it is in terms of both facilitating delivery of the strategy and the timing of impact.

Misalignment of project priorities also impacts negatively on employee commitment as it is obvious which projects are strategic and those

which are not. Committed employees prefer to work on projects which will deliver the strategy as they want to be part of a winning team

Strategic misalignment of projects results in reducing the long term sustainability of the organization and has the potential to reduce employee commitment leading to increased staff turnover.

Transparency of process is essential to ensuring ongoing commitment to getting the right project done at the right time. The benefits of including a projects level of strategic alignment as part evaluating, setting and managing priorities include:

- Improved business performance
- Improved business sustainability
- Improved employee support and commitment

## **Managing Priority Changes**

For many organizations once priorities are set they are rarely reviewed or changed. If the business case is impacted every time the project budget is reviewed then so is the projects priority. Every time the basis for the decision which assigned the original priority is changed the priority needs to be reviewed, revised and re-evaluated to see if it still worthy of the resources allocated. Many organizations struggle with understanding the concept of “good money after bad”. As a result, they are reluctant to suspend or terminate projects based on their performance or failure to deliver against the business case.

This reluctance to revisit decisions is often behind the unwillingness to continuously monitor, review and revise project priorities. The questions this raises are:

How do we assess the current priority is valid moving forward?

What are the criteria needed to determine if a project should be suspended or terminated?

Where do we allocate the resources released from the suspended or terminated projects?

The bottom line is the wrong priorities equal the wrong project. No organization can afford to be off target for long in today’s competitive environment. Identifying projects that are underperforming or whose priority needs to be reviewed is part of managing effectively. Once identified these projects need to be reassessed to determine their

continued relevance and viability. Suspension and termination of projects to free up scarce resources to deliver more value is just common sense.

The impact of effective management of project priority changes includes:

- Maximizing growth opportunities
- Reinforcement of a performance based culture

## **Conclusion**

The three key aspects to effective priority management are people, process and tools. People need to be aligned with the organizations mission, vision, values and goals to understand and effectively support the initiatives designed to deliver long term success and sustainability. It is the responsibility of the organizations leaders to engage their people in the pursuit and achievement of the organizational vision.

Projects are one of the key vehicles to delivering new initiatives. Project processes need to reinforce that success is realized through alignment with the organizations vision. Ongoing improvements are most often implemented via project teams. Having robust, well implemented and adhered to project processes is becoming increasingly important to long term organizational success and sustainability.

Tools enable people and processes to work effectively. In the context of managing project priorities effectively, tools need to provide functionality to allow visibility of project priorities and status and resource availability to enable effective management. They need to facilitate measurement of process adherence and progress to facilitate effective management and communication within the organization.

If you would like more information on managing project priorities or to learn how other organizations like yours deal with this situation please visit us at [www.bijingo.com](http://www.bijingo.com)

## **About bijingo Pty Ltd**

Bijingo develops and provides B-smart, a comprehensive software as a service project management solution.

## **About This White Paper**

This white paper is based on customer experience.