

# The Art of Project Selection

by Soren Eilertsen, Ph.D.

*Selecting and initiating projects turn strategy into action. Done thoughtfully, the process project selection can significantly improve the organization's ability to execute its strategy and thereby enhance its results. This paper reviews best practices and examines a generic project selection process.*

## Introduction

Choosing what projects to undertake is one of the least understood and commonly mishandled activities within organizations. However, defining and bringing awareness to the selection process can take your organization to the next level.

Projects can take many forms; they can involve creation of new assets, execution of strategic initiatives, implementation or development of technology, or general process improvement. What do you know about the process you use to select your organization's projects? Do you select the right projects and produce the best results? How do you know?

Selecting and initiating projects turn strategy into action. Done thoughtfully, the process project selection can significantly improve the organization's ability to execute its strategy and thereby enhance its results. The Project Selection process closely relates to key organizational systems such as leadership, strategic planning, and process management.

There are many difficulties involved with committing the organization to adapting an objective and visible selection process. Inconsistencies in project information are one of the common reasons that organizations struggle with project selection and decision-making. Lack of information combined with a lack of objective decision-making criteria makes it impossible to prioritize projects, resulting in large unresolved project portfolios.

### Definition

We define the Project Selection process as follows: A process that (a) aligns project initiatives with business and strategic goals, and (b) guides allocation of capital and human resources for highest business result impact. Project Selection grows out of and closely aligns with the organization's strategic planning process.


When the organization finds the keys to project selection, the doors to performance excellence are opened. Finding these keys require tenacity because they are hidden at the end of a long road. An organization must become skilled in leadership and strategy, and employ a structured systems approach to make headway on this journey.

## Getting Started

As a first step, recognize and name the problem or requirement. Strangely, this is more difficult than it should seem. We often find that political conflicts or power structures within the organization promote an approach that avoids the application of intelligence or shrouds the decision making process in mystery.

As a second step, recognize the complexity! The project selection process is not a stand alone process within the organization. It depends on many other systems or processes, such as strategic planning, financial budgeting, business process definitions, allocation of resources whether human or capital, and others. How well defined are your processes in these areas? Does the strategic planning process yield clear goals and integrate (or lead) to strategies in other areas such as technology and human resources?

And as a third step, take on the challenges and realize that you must proceed bit by bit. Don't try to make one process perfect before you initiate work on another. Work with the overall system and gain in all areas concurrently. Continued improvement of these systems and processes must become part of your organization's mantra.

Stage	Process Maturity	Project Selection
	Reacting to problems	No clear process
	Early systematic approaches	Information & ROI based
	Aligned approaches	Evaluated against criteria
Performance excellence	Integrated approaches	Modeled against criteria & portfolio

Project Selection Maturity Stages.

The real indicator for successful project selection remains reticent (lagging indicator) until completed projects generate business results. This complicates the justification for the implementation of a project selection process since the relationship between project selection and business results can become fuzzy with time. However, general performance excellence principles suggest that every organization should decide on a process that then can be improved through an ongoing analysis of strengths and weaknesses. The important thing is to bring awareness to the process and methods and make it visible to the organization so it can be used effectively and improved upon over time.

### Artful Project Selection

So what is involved in artful project selection? The simple answer is information, analysis, and decision-making. Starting backwards, the differences in project selection approaches lie primarily with the criteria used for decision-making and the varying means for delegation of organizational decision-making authority.

The criteria used for decision-making can vary from a (1) relatively simple cost / benefit analysis evaluation to (2) scoring and ranking models that also may involve evaluation against business goals as well as risks to (3) more complicated models that considers objective and subjective

constraints to (4) a portfolio management approach that attempts to diversify project selection based on overall risk assessments.

Organizations typically set thresholds for project decision-making amongst different organizational entities. However, depending on the organization structure, culture, and political situation, the decision-making power may be centralized or distributed to varying degrees among the executive leadership team, a project steering committee, business units, and functional areas.

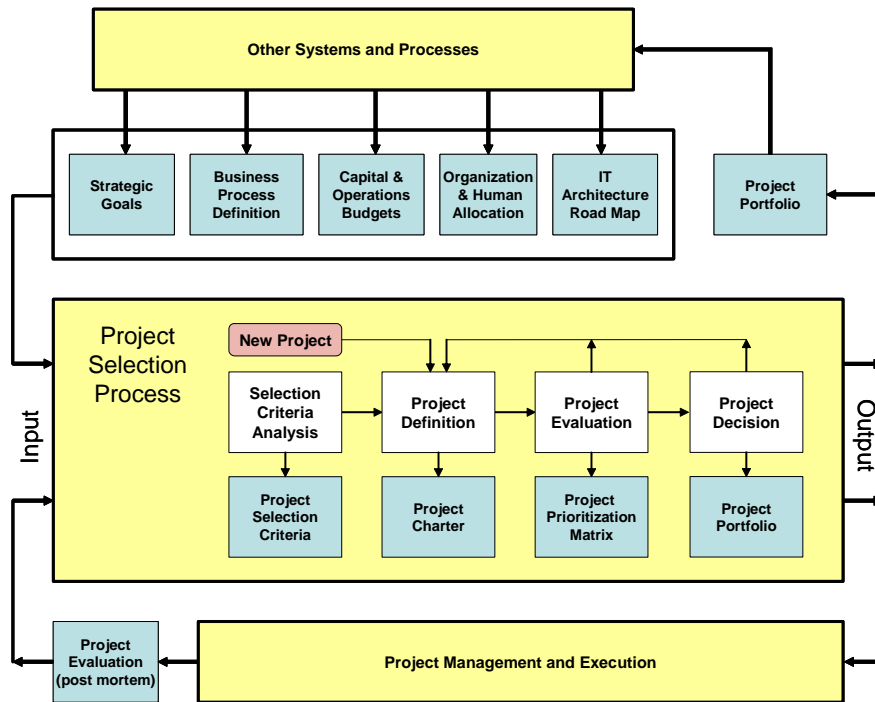
## Best Practices

Best practices for project selection are the methods that provide unbiased information for decision-making. According to our best practices experts, an organization's Project Selection system should:

- Be formal and ongoing, and integrated into the strategic planning system, the process management system and other continuous business cycles.
- Ensure that the executive leadership team is keenly involved with the Project Selection process.
- Include a Project Steering Committee or function that is constituted by the executive leadership team to assist with project evaluations and recommendations.
- Require that projects are evaluated against an objective business criteria aligned with the strategic goals and receive scoring based on associated weighted factors.
- Include an activity step that allocates resources for feasibility analysis to projects that achieve a threshold score (business importance) but require additional information for decision-making.
- Use a well-defined threshold to separate small projects from larger strategic projects in order not to overload smaller projects with unnecessary evaluations and ensure thorough analysis of larger projects.
- Establish clear project decision-making authority levels between organizational entities such as the executive leadership team, the project steering committee, business units, and functional departments.
- Reinforce mechanisms that support project decisions that are for “the good of the company” versus “private interests”.
- Provide easy access to selection criteria, project definition and evaluation as well as project portfolio and status.

## Generic Project Selection Process

We have included an example of a generic project selection process and a description of each of the activity steps.



There are four main activity steps in a typical Project Selection process:

1. Selection Criteria Analysis
2. Project Definition
3. Project Evaluation
4. Project Decision

The input to the Project Selection process includes:

- a. clear strategic initiatives and goals for the organization;
- b. business process definitions that support the strategic plan;
- c. capital and operations budgets and guidelines;
- d. organization charts and allocation of human resources (job description, responsibility, authority, and key objectives);
- e. information technology architecture road map; and
- f. project evaluations (post mortem) from executed projects with assessment of delivered versus expected value and learnings.

### 1. Selection Criteria Analysis

The objective of the Project Selection Criteria Analysis process step is to develop scores and weight factors that can be used in the project ranking and decision-making process. This is

typically an annual process step that requires input in the form of strategic goals from the strategic planning process. The outcome of this process step is a Project Selection Criteria that is very specific to each organization. The analysis will what criteria to include and determine the criteria importance to the organizations overall success. Each criterion will be assigned a score and weight factor that can be used in the Project Ranking process.

The selection criteria will include items in the following three categories:

- a. Strategic Goals
  - Goal A
  - Goal B
  - Goal C
  
- b. Externally Imposed Requirements
  - Regulatory Compliance Requirement
  - Safety Requirement
  - Audit Requirement
  - Customer Requirement
  - Technology Requirement
  
- c. Project Evaluation
  - Value Assessment
  - Risk Mitigation
  - Return on Investment
  - Technology Road Map Fit
  - Technical Certainty
  - Human Resource Availability
  - Capital Resource Availability

## 2. Project Definition

To evaluate, prioritize and decide on projects, they first have to be understood. The definition of the problem statement and business requirements as well as the discovery of potential solutions often overwhelms the business manager that is seeking an improvement or new solution.

Here are some of the information items that should be assembled for each project prior to evaluation:

- Project Name
- Project Requestor
- Project Sponsor
- Project Category
- Executive Summary
- Problem Statement

- Goals and Expectations
- Requirements
- Suggested Solution
- Alternative Solutions
- Business Benefits (value, ROI, NPV, and intangible)
- Cost Estimate
- Other Resources
- Risk Assessment
- Project Assumptions

### 3. Project Evaluation

The Project Ranking activity prioritizes a project by evaluating the project against the selection criteria and assigning weight factors and scores. The idea is to determine an overall score for the project using a scoring worksheet. The scoring is used to rank a project against other projects in the project portfolio.

The organization must set aside resources for project feasibility studies to gather information, analyze, and creatively explore project option prior to decision making. This is essential in order to improve the information that executives will use to make critical project decisions. If a project reaches a certain threshold in preliminary scoring (see project ranking) but still requires more information for decision-making then resources should be allocated to allow for further exploration.

The project basically returns to the Project Definition activity with resources assigned for further investigation.

### 4. Project Decision

If the Project Selection process is followed and adequate resources are allocated for the project definition, the final Project Decision should be relatively easy since the project is ranked against other projects and weighted against objective business selection criteria. Project costs and resources must again be evaluated against available resources and a final decision on “go / no-go” decision must be made. If the project is decided against at this point in time, it can be removed if the scoring is too low or left on the project portfolio for future consideration.

The project portfolio becomes an active inventory of project initiatives that have been evaluated for benefits and relative importance. The project portfolio should be an open document that stakeholders in the organization can access.

The Executive Team is keenly involved in the project selection process and nominates a Project Steering Committee to oversee the project portfolio and be the process owner of the Project Selection process. The Steering Committee will make recommendations with regards to ranking and project “go / no-go” decisions.

## About the Author

As President of Kollner Group, Soren Eilertsen has helped numerous clients in different industries activate and align leadership teams around business results and innovation. Clients praise him for his ability to guide business leaders and teams to insights and new levels of success.

Soren works as a business consultant, educator and leadership coach specializing in strategy and organization development. He helps clients build effective leadership teams, create winning strategies, and obtain success with change initiatives.

Since establishing Kollner Group in 1999, Soren has helped shape the strategic directions and create results for numerous businesses and non-profits in both Europe and the United States. He has worked on world-class endeavors and been fortunate to engage with leaders in great organizations such as AECOM Design, American Suzuki, McKesson, Mission Critical Technologies, MK Sound, Motown Museum Project, Nordisk Film Biografer, Pacific Coast Producers, Pacific Theatres, Polar Air Cargo, Rand, System Simulations, UC Health System and Vulcan (Paul Allen).

Combining his education as a psychologist with years in corporate executive roles, Soren takes a unique integral approach that enables him to examine a business from the perspective of its internal leadership, systems, and culture as well as from the market-, business value-, and external customer perspectives.

Visit [www.kollnergroupp.com](http://www.kollnergroupp.com) to find out more about Soren Eilertsen and the Kollner Group.

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