Project Selection – Qualitative Methods

Developing a Balanced Approach to Selecting Projects and Qualitative Selection Methods

By Donald Ardiel
Lesson Summary

• In this presentation, we will:
  – Consider the application of a specific project selection method for a given project selection situation.
  – Introduce a variety of methods for selecting projects
  – Discuss the Weighted Scoring Method of qualitative project selection
Strategic Planning Process

- Review/revise mission
- External environment - opportunities & threats
- Internal environment - strengths & weaknesses
- New goals & objectives
- Portfolio of strategic choices
- Strategy formulation
- Strategy implementation
- Projects

Gray & Larson; Project Management: The Managerial Process, Pg. 25
Project Selection Process

• Reduce the negative impact of internal politics
  – Influence on organization that affects decision making in cases of disagreement

• Focus stakeholder attention on achievement of mission and objectives

• Efficient & effective allocation of resources

• Set of integrated criteria for selection

• Decision support system to build consensus and buy-in
Failure to Adopt a Prioritizing System

• “All of your projects are strategic!”
• “It’s obvious which projects are most important.”
• “Change is too rapid. Setting priorities and meeting strategic objectives will lock us in when we have to respond FAST.”
• “A selection process could devalue my political influence in the organization.”
• “The process will be usurped by pushy people.”
Methods: Delphic Method

• Delphic Method
  – A list of selection criteria or projects are reviewed and ranked by independent external experts
  – The rankings are consolidated
  – Experts continue to rank until agreement is reached.
Methods: Balanced Portfolio

• Balanced Portfolio
  – Financial and non-financial factors balanced
    • Return/Risk
  – Best selection through balancing risk among a number of projects (similar to investment)
Methods: Powell Barkhi

• Powell Barkhi Method
  – Financial and “fuzzy” criteria compared
  – Thresholds established that “weed out” projects for failure to achieve the lowest acceptable level of important criteria
Powell Barkhi Method

- "Fuzzy" Benefits
- NPV, ROI, IRR
- High priority projects
- Desirable mix
- Envelope changes reflect resources

"Fuzzy" Benefits
Methods: Weighted Scoring

• Project Scoring
  – Develop criteria against which to evaluate project success
  – Weight the criteria
    • Typically criteria use a weighting scale of 1 (moderate importance), 2 (very important), or 3 (critical importance).
    • Alternately, total weighted criteria must equal 1.0
  – Evaluate project against criteria
## Weighted Scoring Method

*Evaluation criteria*

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<th>Criteria Weighting</th>
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<th>D</th>
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Weighted Scoring Method - Steps

• Step One
  – Consider the criteria/factors for successful outcomes
  – Establish filter criteria i.e. “if the project doesn’t score 15% IRR it is not worth considering”

• Step Two
  – Assign a weighting of those factors

• Step Three
  – Score the projects for the potential to achieve the criteria
Project Scoring Method - Steps

• Step Four
  – Calculate the weighted score
  – Rank the projects from high score to low score

  Highest scoring project
  Go
  Resource threshold
  No Go
  Lowest scoring project
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