Project Selection Criteria: How to Play it Right
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In a perfect world, every organization would find time to approach project selection in an objective, methodical way, using the right criteria and tools. In the real world, project selection is often carried out in a more-or-less intuitive way even though the benefits of systematized, criteria based project selection can mark the difference between organization success or failure.

A strategic approach to project selection yields better results for organizations by minimizing risk and maximizing the potential upside. With finite resources and infinite project possibilities, project selection could be the most important step in the project life-cycle. New projects are a response to threats or opportunities, and choosing the best possible response, from a complex web of possibilities, is often beyond the capacity of the human brain. Any more than six variables causes information overload and confused decision making.

Solution: The analytic hierarchy process is an effective method developed to overcome decision madness by using weighted criteria. Both benefits and risks can be weighed, assigning a number value to each criterion (benefit or risk factor under consideration), with more important benefits receiving a higher number on the scale to determine which projects have the highest overall value, or the most most valued benefits and least risks. An excellent book out on the subject, Decision Making for Leaders: The Analytic Hierarchy Process for Decisions in a Complex World, by Thomas L. Saaty, recommends using Expert Choice software to calculate weighted decision criteria, useful for complex decisions involving multivariate selection criteria.[i] While each organization is unique and will have unique project selection criteria, below are some general project selection criteria strategies to play by.

Project Selection Criterion #1: Fold a Bad Hand

Quitting and quitting fast is often the best project selection practice. In Sun Tzu's *Art of War,* the best strategy for winning a war is avoiding it in the first place. The next best time to quit is as soon as possible and preferably before sunk costs make the decision to quit a troubled project increasingly complex and difficult. Getting out early has shown to yield a high return on investment (ROI) compared to not quitting. According to *The Project Management Manual* published by The Harvard Business Review, studies show early termination of a troubled project can result in a 900% return on investment (ROI).

Though quitting is often the better of two evils, it can be hard to know when to make that break. Below is a list of quitting criteria that should, at the very least, alert project managers to proceed with caution or even decline to participate. Make your own list to keep in your back pocket when faced with project selection decision making. Never worry about sounding ridiculous by bringing up basics that others might just assume. Always ask about the elephant in the room.[ii]

continued

The Little List of Red Flags for Project Selection
• Lack of strategic fit with mission
• Lack of stakeholder support
• Unclear responsibility for project risks
• Risks outweigh potential benefits
• Unclear time component
• Unrealistic time frame, budget & scope
• Unclear project requirements
• Unattainable project requirements or insuperable constraints
• Unclear responsibility for project outcomes

Of course, every organization has its own risk tolerance, where some risk factors might be acceptable to one organization, they might be the deal-breaker to another. Requiring standardized project proposal forms that screen projects for red flags can increase efficiency in this phase of the project life-cycle, project selection. Creating an organization specific document would be superior to general templates, though not a bad idea to take a look at some ready-made templates that could inform more specific iterations tailored to your organization. The website *projectconnections.com* has loads of free templates.

Project Selection Criterion #2: Assess Value

As with risk, value is relative to each organization's unique situation. There are many different ways of assessing value, not all financial, with strategic fit topping the list. A good overview and understanding of the entire organization - its mission, values, goals and core competencies - will make it easier to assess the overall potential value of a project to the organization. Selecting projects that fail to contribute to the achievement of strategic objectives and organizational mission dilute focus and weaken the organization overall.

Project Selection Criterion #3: Know Your Game

Strategic plans are important to project selection because a well developed strategic plan should make project selection criteria obvious. The lack of a strategic plan, an outdated strategic plan, or a flimsy plan is indicative of organizational stagnation. A strategic plan is like an organization's constitution or game plan. When selecting a project, make sure it reflects the game plan.

Project Selection Criterion #4: An Ace Up Your Sleeve

A quick and dirty trick to determining the meaningfulness of a project is answering the question "So what?" about intended project outcomes.[iii] The more the project aligns with the strategic direction of the organization, the more meaningful. The higher the likelihood of success, the more meaningful.

To illustrate, developing a vaccine for HIV is meaningful; developing a vaccine for HIV that HIV populations cannot afford is not. Size matters as well since the size of a project and the amount of resources required are usually positively correlated. Building the pyramids of Egypt may be meaningful, but the size of the project makes it a high stakes endeavour only suitable to pharaohs and Vegas king pins.

Project Selection Criterion #5: Bet on Core Competencies

Core competencies are offerings organizations claim to do best. An example of a core competency for Red Cross, for example, would be international emergency disaster response. Projects based on core competencies usually achieve outcomes with the best value propositions an organization can offer and, therefore, worthwhile for an organization to map its core competencies and select projects that build on strength. Core competency mapping also serves as an instrument to identify competency gaps and map out desirable core competencies the organization wishes to develop in the future.

Project Selection Criterion #6: Capacity Building

Capacity building can be thought of as projects that operationalize desirable core competencies, with tangible, quantifiable results. It is the groundwork that builds future success and includes education, training and process innovation. Below are two examples of proven capacity building strategies, the first through human capital, the second through process innovation.

1) Let's say an organization needed to fundraise through grant writing. It would be valuable if someone in the organization had grant writing skills. However, if a talent gap in this area were identified, the organization could, among other options, build in-house grant writing capacity by improving the human capital of its staff through training. This works as a large-scale economic development strategy as well and was a major factor of success in the Asian economic miracle and is still used today by major development agents such as the World Bank.

2) Ford's innovative, productivity increasing assembly line is a famous example of the competitive advantages of process innovation. Ford's processes positioned Ford Motors at the head of the automotive industry for decades. These processes quickly became the status quo as other manufacturers copied to reduce costs and increase output just to remain competitive.

The end result was that Ford's processes increased productivity across an entire industry, other industries, and global economies, with widespread benefits to consumers as increased productivity decreased costs.

A downside of investing in process innovation is that whatever competitive advantage the innovating organization gains diminishes once other stakeholders copy. The downside to investing in human capital is the voluntary mobility of labor.

Project Selection Criterion #7: Black Jack

In the context of project selection, the premise of Pareto's 80/20 rule is that 20 percent of all projects can address 80 percent of all threats or opportunities.[iv] Therefore, choosing the right projects is a proposal in efficiency. Responding fast to threats requiring urgent action, for example, is efficient because it could deter a number of future problems (or threats). Responding fast to an opportunity is also efficient because first to market are positioned to capture significant market share and, therefore, dominate the market. Other 80/20 examples include projects that meet internal and external constraints and requirements, from airline policy to ISO standards; so constraints compliant projects rise up the priority list. The Millenium Development Goals are another example of a set of solutions that aim to solve a myriad of problems per solution.

Project Selection Criterion #8: Stakeholders

Stakeholders come together on projects for differing reasons, each with a desired end result in mind. How control of a project is shared can be important if it has the potential to affect the final outcome, which is a reason to think through the whole project cycle of a proposed project to try to foresee the possible implications of the balance of power. Knowledge of or experience with past projects in similar scenarios and industries can provide relevant insight.

Internal stakeholders play a crucial role as well, where competent management makes all the difference, as does a competent, motivated and talented team. Since most conflicts and information bottlenecks arise out of miscommunication or a lack of communication, a manager with good communication strategies would be a valuable asset to any project and deserves his/her project selection criteria's weight in gold.

Writing about project selection criteria was my response to a threat and opportunity, having found little information on the topic. Some textbooks do a decent though superficial and cursory overview of project selection criteria.

YouTube videos on the subject, so far, seem confusing and long winded, except for one, which had pretty good content and was presented with entertaining enthusiasm.
http://www.youtube.com/watch?v=vD__pVFGCt4.

About Our Author

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Joni is interested in opportunities to facilitate global progress through human rights advocacy, conflict resolution, sustainable development, innovative public policy, and partnerships between international institutions, civil society, the public sector and the private sector.

[i] Brooks, W. (2009). Lecture. International business project management. The Monterey Institute of International Studies.

[ii] Brooks, W. (2009). Lecture. International business project management. The Monterey Institute of International Studies.

[iii] Brooks, W. (2009). Lecture. International business project management. The Monterey Institute of International Studies.

[iv] Levinger, B. (2010). Lecture. DPMI. The Monterey Institute of International Studies.