

How to Prioritize Your Company's Projects

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Every organization needs what I call a “hierarchy of purpose.” Without one, it is almost impossible to prioritize effectively.

When I first joined BNP Paribas Fortis, for example, two younger and more dynamic banks had just overtaken us. Although we had been a market leader for many years, our new products had been launched several months later than the competition — in fact, our time to market had doubled over the previous three years. Behind that problem was a deeper one: We had more than 100 large projects (each worth over 500,000 euros) under way. No one had a clear view of the status of those investments, or even the anticipated benefits. The bank was using a project management tool, but the lack of discipline in keeping it up to date made it

largely fruitless. Capacity, not strategy, was determining which projects launched and when. If people were available, the project was launched. If not, it stalled or was killed.

Prioritization at a strategic and operational level is often the difference between success and failure. But many organizations do it badly.

Take another real example: a postal service company delivering packages to customers. Like many other postal services, the company has been struggling to survive in an era of increasing competition and digital substitutes. Senior leaders gathered employees together at a series of town hall events where the CEO asked them to focus on two operational priorities: efficiency (reducing delivery times) and customer satisfaction (ensuring customers had a good experience).

One employee, Mary, got the message. And it worked fine until she was out delivering packages and was met at the door by an elderly man who asked her to come in and talk for a while. Mary's natural inclination was to spend a little time with the lonely old man. It would be a kind thing to do, and surely it would also increase customer satisfaction. But then she froze. What about efficiency? If she spent even a few minutes chatting with her customer, her delivery times would suffer. What was she meant to do? Thousands of employees at this company were facing similar trade-offs every day.

The predicament is a typical one. The senior management of the postal company thought they had communicated clear priorities, but in fact they had created an operational dilemma that resulted from strategic confusion.

Contrast this with other successful companies. The European budget airline Ryanair, for example, is absolutely clear that it is a no-frills operation where efficiency is the operational priority — and efficiency takes precedence over customer service. The people who work for Ryanair know what the priority is, and thus know how to allocate their time on the job.

Prioritizing increases the success rates of strategic projects, increases the alignment and focus of senior management teams around strategic goals, clears all doubts for the operational teams

when faced with decisions, and, most important, builds an execution mindset and culture.

Of course, sometimes leaders simply make the wrong decisions; they prioritize the wrong thing. But in my 20 years as an executive, the problem I see more often is that leaders don't make decisions at all. They don't clearly signal their intent about what matters. In short, they don't prioritize.

Among the organizations I have worked with — and others, such as Apple, Amazon, Lego, Ikea, and Western Union, that have highly developed senses of priorities — the payoffs are considerable. Companies that start prioritizing can experience significant reductions in costs (in my experience, roughly 15%) as less-vital activities are cut and duplicated efforts are consolidated.

The number of priorities admitted to by an organization is revealing. It is notable that if the risk appetite of a senior executive team is very low (or if they are not able or inclined to make the tough choices), they will tend to have a generous portfolio of priorities; they don't want to take the risk of not being compliant, missing a market opportunity, not having the latest technologies, and so on. But in my experience, the most successful executives tend to be more risk taking and have a laser-like focus on a small number of priorities. These executives know what matters today and tomorrow. At the extreme, this might mean simply having a single priority. The more focus, the better.

The Hierarchy of Purpose

I have over 20 years of experience in prioritizing, selecting, and managing projects. In that time, I have developed a simple framework that I call the "Hierarchy of Purpose." It is a tool that executive teams can use to help them prioritize strategic initiatives and projects:

- **Purpose.** What is the purpose of the organization and how is that purpose best pursued? What is the strategic vision supporting this purpose?
- **Priorities.** Given the stated purpose and vision, what matters most to the organization now and in the future? What are its priorities now and over the next two to five years?

- **Projects.** Based on the answers to the first two points, which projects are the most strategic and should be resourced to the hilt? Which projects align with the purpose, vision, and priorities, and which should be stopped or scrapped?
- **People.** Now that there is clarity around the strategic priorities and the projects that matter most, who are the best people to execute on those projects?
- **Performance.** Traditionally, project performance indicators are tied to inputs (e.g., scope, cost, and time). They are much easier to track than outputs (such as benefits, impact, and goals). However, despite the difficulty companies have in tracking outputs, it's the outputs that really matter. What are the precise outcome-related targets that will measure real performance and value creation? Reduce your attention to inputs and focus on those instead.

At best, prioritizing enhances the strategic dialogue and the alignment at the top of the organization, from where it is then cascaded to the rest of the organization. Once you lead the executive team to understand this, priorities become embedded in the organization and its corporate culture.

Think of your organization's priorities. Are all of your diverse activities prioritized in the best interests of the organization as a whole? What is the best use of the organization's existing and future financial and operational capacities? How would your priorities change in case of a sudden economic downturn?

A well-communicated sense of organizational priorities helps to align most of the projects and programs in an organization to its strategies. But the reality of an organization is much more complex than many suggest. Sometimes the strategic objectives are not clear, or are nonexistent. Often there is a gap and lack of alignment between the corporate strategic objectives and the ones from the different business units, departments, or functions.

In reality, it is impossible to match all of an organization's projects and programs to strategic objectives. Ensuring that at least the most important projects and programs — let's say the top 20 — are fully aligned with the strategic objectives is more achievable.

By applying the Hierarchy of Purpose, executives learn that changing priorities is a fact of organizational life. Indeed, every time an organization stops a priority, the organization becomes more focused. Every terminated priority is an opportunity to learn and do better next time. Priorities change and, if managed successfully, have the capacity to fundamentally change organizations, but only if top management makes tough choices.

Antonio Nieto-Rodriguez is the author of the *Harvard Business Review Project Management Handbook*, five other books, and the HBR article “The Project Economy Has Arrived.” His research and global impact on modern management have been recognized by Thinkers50. A pioneer and leading authority in teaching and advising executives the art and science of strategy implementation and modern project management, Antonio is a visiting professor in seven leading business schools and founder of Projects & Company and co-founder Strategy Implementation Institute and PMOtto. You can follow Antonio through his website, his LinkedIn newsletter Lead Projects Successfully, and his online course Project Management Reinvented for Non-Project Managers.

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