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Chapter 2 - Project Selection and Prioritization

TRUE/FALSE

1. Strategic analysis is an important first step in setting strategic direction.

   ANS: T DIF: Average REF: 2.1
   OBJ: Describe strategic planning process

2. Strategic analysis is often called SWOT - Strengths, Weaknesses, Opportunities and Threats (SWOT).

   ANS: T DIF: Easy REF: 2.1
   OBJ: Describe strategic planning process

3. Strategic analysis is often called SWOT - Start With Objectives Template (SWOT).

   ANS: F DIF: Easy REF: 2.1
   OBJ: Describe strategic planning process

4. Strategic analysis considers opportunities and threats posed by competitors, suppliers and regulatory agencies among others.

   ANS: T DIF: Average REF: 2.1
   OBJ: Describe strategic planning process

5. The organization's leadership should establish guiding principles such as the vision and mission for an organization before developing the strategic objectives.

   ANS: T DIF: Average REF: 2.1
   OBJ: Describe strategic planning process

6. The organization's leadership should establish the strategic objectives to set the stage for the strategic analysis.

   ANS: F DIF: Challenging REF: 2.1
   OBJ: Describe strategic planning process

7. The vision should present a positive, inspiring and vivid description of the organization as it currently exists.

   ANS: F DIF: Average REF: 2.1
   OBJ: Describe strategic planning process

8. Strategic objectives should focus decisions regarding which projects to select and how to prioritize them.

   ANS: T DIF: Challenging REF: 2.1
   OBJ: Describe strategic planning process

9. Strategic objectives describe both long and short term results that are desired.

   ANS: T DIF: Average REF: 2.1

OBJ: Describe strategic planning process

10. Projects tend to be the primary method for implementing many objectives.

ANS: T DIF: Average REF: 2.1
OBJ: Describe strategic planning process

11. A project portfolio is a collection of projects or programs and other work that are grouped together to facilitate effective management of that work to meet strategic business objectives.

ANS: T DIF: Average REF: 2.2
OBJ: Describe portfolio alignment process

12. A project portfolio is a useful storage medium that enables the project manager to consolidate all project information in a single, convenient location.

ANS: F DIF: Easy REF: 2.2
OBJ: Describe portfolio alignment process

13. Portfolio alignment includes identification, selection and prioritization of projects in a portfolio.

ANS: T DIF: Average REF: 2.2
OBJ: Describe portfolio alignment process

14. If an organization does not have the right capabilities, a project may be too difficult to complete successfully.

ANS: T DIF: Easy REF: 2.2
OBJ: Describe portfolio alignment process

15. The degree of formality used in selecting projects varies widely across organizations.

ANS: T DIF: Easy REF: 2.2
OBJ: Describe portfolio alignment process

16. While there is a wide variety of projects across organizations, the degree of formality used in selecting them is largely uniform.

ANS: F DIF: Average REF: 2.2
OBJ: Describe portfolio alignment process

17. The prioritization of projects in a portfolio should consider whether the demands of performing each project are clearly understood.

ANS: T DIF: Average REF: 2.2
OBJ: Describe portfolio alignment process

18. Payback period models do not consider the amount of profit that may be realized after the costs are paid.

ANS: T DIF: Average REF: 2.2
OBJ: Financial and scoring models

19. None of the financial project selection models ensure alignment of the project with an organization's strategic goals.

ANS: T DIF: Average REF: 2.2
OBJ: Financial and scoring models

20. Scoring models are most useful when there are multiple projects and several criteria to consider.

ANS: T DIF: Easy REF: 2.2
OBJ: Financial and scoring models

21. Traditional financial models are most useful when there are multiple projects and several criteria to consider.

ANS: F DIF: Average REF: 2.2
OBJ: Financial and scoring models

22. There are times that certain projects must be selected regardless of any considerations such as strategic fit, profitability or probability of success.

ANS: T DIF: Average REF: 2.2
OBJ: Describe strategic project selection

23. In addition to considering financial factors, project selection should often consider how well each project fits with the organization's strategic planning.

ANS: T DIF: Easy REF: 2.2
OBJ: Describe strategic project selection

24. Scoring models are very useful in providing input regarding the starting order of projects.

ANS: T DIF: Average REF: 2.2
OBJ: Financial and scoring models

25. Project selection scoring models are very useful in providing performance data that can be used to terminate a project.

ANS: F DIF: Easy REF: 2.2
OBJ: Financial and scoring models

26. When a firm prepares to submit a proposal, it is really conducting a small project with the primary deliverable of the project being an accurate and complete proposal.

ANS: T DIF: Average REF: 2.3
OBJ: Contractors / Securing new projects

27. When a client company decides to engage an external contractor to perform project work, it must be prepared to submit a proposal and prepare a bid.

ANS: F DIF: Challenging REF: 2.3
OBJ: Contractors / Securing new projects

MULTIPLE CHOICE

1. Which of the following statements concerning strategic analysis is true?

   a. Strategic analysis focuses exclusively upon external analysis.
   b. External analysis focuses on the strengths and weaknesses of the organization.
   c. Internal analysis focuses on the threats and opportunities facing the organization.
   d. External analysis focuses on the threats and opportunities facing the organization.

   ANS: D DIF: Challenging REF: 2.1
   OBJ: Describe strategic planning process

2. All of the following factors influence the opportunities and threats an organization must consider when performing a strategic analysis EXCEPT:

   a. competitors
   b. suppliers
   c. regulatory agencies
   d. employees

   ANS: D DIF: Average REF: 2.1
   OBJ: Describe strategic planning process

3. A clear and compelling vision will have all the following characteristics EXCEPT:

   a. often requires extra effort to achieve.
   b. often requires several years to achieve.
   c. provides detailed roadmap for managing a project
   d. helps stakeholders to understand the direction of the firm.

   ANS: C DIF: Easy REF: 2.1
   OBJ: Describe strategic planning process

4. Which of the following responses most accurately depicts the correct sequence of activities in the strategic planning process?

   a. strategic objectives - strategic analysis - guiding principles - flow-down objectives
   b. guiding principles - strategic analysis - strategic objectives - flow-down objectives
   c. strategic analysis - guiding principles - strategic objectives - flow-down objectives
   d. guiding principles - strategic objectives - flow-down objectives - strategic analysis

   ANS: C DIF: Average REF: 2.1
   OBJ: Describe strategic planning process

5. Many writers have stated that effective objectives should be:

   a. broad - to cover many dimensions of the business
   b. measurable - to track progress
   c. unachievable - to inspire maximum performance
   d. resource based - to focus on the inputs

   ANS: B DIF: Challenging REF: 2.1
   OBJ: Describe strategic planning process

6. All of the following statements concerning project portfolios are true EXCEPT:

a. The projects in a portfolio are grouped to be managed collectively.
b. Portfolios never contain programs and other work
c. Portfolios usually include a mix of high-risk projects and easy projects.
d. All projects in a portfolio contribute to the organization's goals.

ANS: B DIF: Average REF: 2.2
OBJ: Describe portfolio alignment process

7. Managers performing project portfolio alignment will do all of the following EXCEPT:

a. ensure that projects are planned and managed well.
b. identify and select projects to achieve strategic goals.
c. prioritize a portfolio of projects and other work.
d. assess the organization's ability to perform projects.

ANS: A DIF: Average REF: 2.2
OBJ: Describe portfolio alignment process

8. Portfolio alignment helps an organization achieve its goals in all the following ways EXCEPT:

a. ensuring resources are distributed evenly across all projects at the same time
b. resolving conflicting resource needs between projects
c. improving the mix of projects.
d. removing duplicate or redundant projects.

ANS: A DIF: Average REF: 2.2
OBJ: Describe portfolio alignment process

9. Portfolio alignment helps an organization achieve its goals by:

a. adopting highly similar projects to insure against failure.
b. including a complement of projects with different sizes, risks and time frames
c. decreasing the variety of projects to leverage specialization.
d. providing detailed project management methodologies

ANS: B DIF: Average REF: 2.2
OBJ: Describe portfolio alignment process

10. All of the following factors should be assessed to determine an organization's ability to perform projects EXCEPT:

a. Does the organization have free and open communication and empowered decision making?
b. Does the organization have a defined project management process?
c. Do teams and individuals exhibit leadership at their respective levels?
d. Does the organization have a projectized structure

ANS: D DIF: Easy REF: 2.2
OBJ: Describe portfolio alignment process

11. All of the following represent appropriate sources to identify new potential projects EXCEPT:

a. existing and potential customers
b. the operations staff within the organization
c. industry and trade journals

d. lessons learned from previous projects

ANS: D DIF: Average REF: 2.2
OBJ: Describe portfolio alignment process

12. Which of the following statements best describes the contemporary use of financial models and scoring models for project selection?

a. Both methods are often used together to ensure financial and non-financial factors are both considered.
b. Financial methods are preferred because non-financial methods are unreliable.
c. Scoring models are rarely used because they fail to consider financial factors.
d. none of these

ANS: A DIF: Challenging REF: 2.2
OBJ: Financial and scoring models

13. Which of the following statements correctly describes a strength associated with the financial project selection model?

a. The benefit-to-cost models favor projects which generate the largest absolute return over a specified period.
b. Payback period models most accurately consider the profit to be realized after the costs are paid.
c. The Net Present Value (NPV) method considers the time value of money.
d. The Internal Rate of Return (IRR) method is easiest to use when a project has non-conventional cash flows.

ANS: C DIF: Challenging REF: 2.2
OBJ: Financial and scoring models

14. All of the following criteria serve as a valid basis for selecting projects in most contemporary firms EXCEPT:

a. Will the project best help the organization achieve its goals?
b. Is the project being considered based on office politics?
c. Does the company have the resources needed to complete the project?
d. Are the demands of performing each project understood?

ANS: B DIF: Easy REF: 2.2
OBJ: Describe strategic project selection

Criteria: Weight: Project	Strategic Fit 10	Risk 6	Market Potential 7	Probability of Success 5	Weighted Total Score
Project A	5 50	3 18	3 21	3 15	**104**
Project B	3 30	4 24	5 35	4 20	**109**
	3	4	3	2	

Project C	30	24	21	10	**85**
Project D	2 20	2 12	5 35	3 15	**82**

Figure 2-1 Project Selection and Prioritization Matrix

15. Based on the information provided in Figure 2-1, which criterion is most important to the leadership team?

a. strategic fit
b. risk
c. market potential
d. probability of success

ANS: A DIF: Average REF: 2.2 OBJ: Demonstrate scoring model

16. Based on the information provided in Figure 2-1, which project has the highest probability of success?

a. Project A
b. Project B
c. Project C
d. Project D

ANS: B DIF: Easy REF: 2.2 OBJ: Demonstrate scoring model

17. Consider the information provided in Figure 2-1. Based on the results in the project selection and prioritization matrix, which project would you select if you were limited to selecting only one project?

a. Project A
b. Project B
c. Project C
d. Project D

ANS: B DIF: Easy REF: 2.2 OBJ: Demonstrate scoring model

18. Based on the information provided in Figure 2-1, which project is least attractive based on the risk criterion?

a. Project A
b. Project B
c. Project C
d. Project D

ANS: D DIF: Average REF: 2.2 OBJ: Demonstrate scoring model

19. Which of the following represents a valid approach that contractors can use to identify new potential projects?

a. send representatives to trade shows and professional conferences
b. engage in a proactive customer relationship management effort
c. link information systems to obtain useful project information
d. all of these

ANS: D DIF: Average REF: 2.3
OBJ: Contractors / Securing new projects

20. All of the following organizations can effectively use a scoring model to select and prioritize competing projects EXCEPT:

    a. the company leadership team
    b. client organizations seeking external support
    c. contractor companies seeking project opportunities
    d. the company program management office

    ANS: D DIF: Challenging REF: 2.2 OBJ: Demonstrate scoring model

21. Which of the following statements most accurately describes the negotiations between a client company and a contractor?

    a. Negotiations are generally limited to the amount of money to be paid.
    b. Negotiations typically begin after the best and final offer is tendered.
    c. Negotiations may address contractual terms, schedules and personnel assignments.
    d. Negotiations are generally focused on schedule

    ANS: C DIF: Average REF: 2.3
    OBJ: Contractors / Securing new projects

ESSAY

1. Describe the relationship between the strategic planning process and project selection in a firm.

   ANS:
   Answers will vary.

   DIF: Challenging

2. Describe the advantages and limitations of financial models in project selection.

   ANS:
   Answers will vary.

   DIF: Challenging

3. Describe the advantages and limitations of scoring models in project selection.

   ANS:
   Answers will vary.

   DIF: Challenging