

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?
- Strategic analysis focuses exclusively upon external analysis.
 - External analysis focuses on the strengths and weaknesses of the organization.
 - Internal analysis focuses on the threats and opportunities facing the organization.
 - 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:
- competitors
 - suppliers
 - regulatory agencies
 - 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:
- often requires extra effort to achieve.
 - often requires several years to achieve.
 - provides detailed roadmap for managing a project
 - 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?
- strategic objectives - strategic analysis - guiding principles - flow-down objectives
 - guiding principles - strategic analysis - strategic objectives - flow-down objectives
 - strategic analysis - guiding principles - strategic objectives - flow-down objectives
 - 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:
- broad - to cover many dimensions of the business
 - measurable - to track progress
 - unachievable - to inspire maximum performance
 - 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:	Strategic Fit	Risk	Market Potential	Probability of Success	Weighted Total Score
Weight:	10	6	7	5	
Project					
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:
- the company leadership team
 - client organizations seeking external support
 - contractor companies seeking project opportunities
 - 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?
- Negotiations are generally limited to the amount of money to be paid.
 - Negotiations typically begin after the best and final offer is tendered.
 - Negotiations may address contractual terms, schedules and personnel assignments.
 - 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