



TenStep Supplemental Paper

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How Projects Get Approved

Project Managers are usually assigned to a project after the initiative has already received preliminary approval to proceed. To be sure, the project may end up being cancelled or postponed after the Project Definition is completed. This could be the result of the project costing more than initial estimates, taking longer to complete, having more inherent risk than is acceptable, or not having the right staff available at the right time. However, an organization normally does not get to the point of assigning a Project Manager and proceeding through the planning process if the project did not already pass some sort of business justification and prioritization process.

This project approval process is part of an overall business process called portfolio management. Other parts of portfolio management include the detailed scheduling of projects during the budget year, keeping track of progress on the approved projects throughout the year, and measuring the effectiveness of the projects as they are completed.

In most mature (non-startup) companies, the project approval process occurs when the budgets are set for the following fiscal year. The following process represents a very simplified and high-level view of what is involved.

1. **Future State Analysis:** Evaluate the future state of the organization and the marketplace. What is the vision for the organization in three (to five) years? What will the marketplace be like? Where will the competitors be? What capabilities need to be in place?
2. **Current State Analysis:** Evaluate where the organization is today. What are the strengths and weaknesses? What is the primary mission and strategy? Are you winning or losing in the marketplace?
3. **Gap Analysis:** What has to happen to move the organization from where it is today to where it needs to be in the future? What skills need to be built? What capabilities need to be in place? What information systems need to be developed or purchased? What processes need to be implemented?
4. **Break the work into projects:** What projects must be funded to get the organization from where it is to where it needs to be? This ends up being a wish list of work, including both IT and business initiatives.
5. **Perform high-level project definition:** This definition is meant to provide enough preliminary information so that the projects can be prioritized later. This could include:
 - Obtaining sponsorship. Who will champion this effort? If the project goes forward, who will provide funding? Who are the sponsoring organization and major stakeholders?
 - High-level business requirements and major deliverables.



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- The initial value proposition. What is the business value that this project will deliver, and in what timeframe will it be delivered?
 - High-level estimated effort, cost, and duration. At this point, the cost estimate might be +/- 75%.
 - High-level cost-benefit analysis. Compare the value proposition against the estimated cost.
 - High-level risk analysis. What are the major business risks and can they be successfully mitigated?
6. **Prioritize the projects:** Even if the organization has all the money it needs (which never happens), there is only a finite capability to get new work done and absorb organization change in any one year. Also, some projects cannot begin until others have completed. So, at this point, prioritize the projects based on urgency, value proposition, and expected payback. This is not always an apples-to-apples comparison, since there are many reasons why a particular project might be of value to the business. Business value can come from:
- Generating additional revenue and profit
 - Reducing costs
 - Expanding business opportunity, or exploiting a new market
 - Providing valuable information to the business management
 - Reducing time to market
 - Improving an internal business process
 - Improving customer satisfaction
 - Meeting a government regulation or law

Even though all of the projects provide value to the business in some way, some projects may be rejected altogether while those remaining will end up on a prioritized list.

7. **Determine which projects will be funded:** The projects with the highest priority to the organization are put forward for funding. This could include the entire prioritized list, or some subset. For instance, the organization may have 20 prioritized projects, but may seek funding for only 10. This may represent their feelings about their own capability to perform projects 11-20 or less confidence in their ability to secure funding for these projects. Sometimes, it is better for each organization to cut down its list of funding requests than to have another approval body do the cutting for them. In some instances, an organization is given a level of funding they will have for the coming year, and it is up to them to fund the highest priority projects on their list, up to a level where the funding is gone. Projects that do not get funded go on a portfolio backlog. They may be candidates to take forward again during the year if the priority and value proposition become higher. They can also be evaluated again during the next budget cycle.
8. **Initiate the project:** Steps 1 - 7 are usually done as part of an overall budgeting process. By necessity, the documentation created is at a high-level. If the project has survived the prioritization process, at some point it will be time for execution.



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Remember, however, that business case and value proposition may be very out of date by the time the organization is ready to proceed. Therefore, it makes sense to run through an initiation, or pre-planning step, to validate the information that was gathered earlier.

In this step, the business customer should revalidate the value proposition and the business case to ensure the project is still viable. The organization must be prepared to commit the resources required to complete the project. Sponsorship must also be re-validated. If those items are all in place, and the organization is still in agreement to proceed, then you can start the project planning process.

9. **Execute the project:** At this point, a Project Manager should be assigned. The first part of the actual project is creating the Project Definition and workplan. If the Project Definition is approved, then you can begin to execute against your work plan and manage the project.
10. **Project Conclusion and Assessment:** After the project is completed, a project assessment takes place, including key learnings, business value achieved, etc. Much of this information can be collected and used as input in the next budgeting cycle.

Along with a general process as described above, there should be a supporting infrastructure for the Portfolio Management process as well. This includes common forms and templates for the project submissions, value propositions, funding requests, etc. It also includes a structure for who submits projects and who approves them, whether capital projects are treated differently than expense projects, an understanding of how approved projects get staffed, etc

Summary

- Resources and time are valuable commodities. Your company needs a rigorous process to prioritize the project work that gets funded, and ensure that the most important work gets done.
- Projects need to be proposed and prioritized based on where the company or the business unit wants to be over time. Do not compromise on short-term initiatives that do not lead you toward your long-term vision or align to your long-term strategy. Short-term projects usually have only marginal value over the longer term.