

TITLE: "PRIORITY MODELING"

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Since 1971: "Software for the finest computer - the Mind"

"If anything in life is constant, it is change."

- Bryce's Law

INTRODUCTION

Not long ago, I had a client in New England who hired a consulting company to develop a business systems plan for them (a manufacturer of household goods). The study took about a year to conduct and cost over a million dollars. The end result was an extensive document printed on fine looking paper approximately four feet in width (I kid you not) which the IT Director was extremely proud of. However, there was only one small problem with it; it became obsolete shortly after it was produced. Why? The unit had been sold to another company, a new management team was installed to run it and the corporate priorities changed over night. In other words, their business systems plan was a colossal waste of time and money simply because they produced an inflexible document that couldn't accommodate change.

I find it remarkable that companies are still shelling out sizable sums of money to produce stagnant business systems plans. Has it not occurred to anyone that we live in a rapidly changing world where the survival of the IT Director and department depends on their ability to accommodate change?

Enterprise objectives constantly change primarily due to external factors, such as market conditions, economics, competition, government regulation, etc. Because of this, information requirements, jobs and even the logical functions of the business may change. The priorities of business objectives and their supporting projects must be reviewed and updated routinely to assure the enterprise is moving in the right direction. This is why we refer to an Enterprise Information Strategy (EIS) as produced in our "PRIDE"-Enterprise Engineering Methodology (EEM) as a "living" document; something that accommodates change. This is also why we invented the technique of "Priority Modeling" so companies can recalculate priorities to accommodate change.

ROWING ON THE SAME OAR

The intent of an EIS is to determine the direction of the organization and get everyone rowing on the same oar. This analogy to boating is a good one. If the wind or tide changes or if we encounter other boaters, we must be able to change direction quickly with the cooperation of everyone on board. It certainly doesn't help if any one person is operating at odds with the rest of the crew. The same is true in business. We must accommodate changes in corporate direction and get everyone working towards common goals. This again goes back to our principle of productivity which we have discussed on numerous occasions in these bulletins:

Productivity = Effectiveness X Efficiency

The purpose of the EIS to assure the company is working on the right things. Regardless of how efficient you may be for a given task, if you are working on the wrong task, you are being counterproductive.

The concept of "priority modeling" is actually quite simple and can be accommodated using simple PC software (spreadsheets, DBMS, or IRM Repositories). It can also be conducted with paper and pencil, but major corporations tend to have voluminous business objectives and projects, making such tasks cumbersome using manual procedures.

In a nutshell, our task is to:

1. Document and prioritize business objectives.
2. Document and prioritize the projects used to implement the objectives.

In other words, if the priority of our business objectives change, the priorities of our projects will change as well. Again, automated assistance can greatly facility the analysis of changes in priorities, hence the name "Priority Modeling;" the ability to study the impact of changes in priorities.

DOCUMENTING BUSINESS OBJECTIVES

Historically, companies have been pretty sloppy in terms of articulating their business objectives. Vague generalities and grandiose statements are not sufficient for defining objectives and calculating priorities. It is important to be as specific as possible so that we can understand the value and importance of the objective to a business regardless if it is large or small.

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Under "PRIDE"-EEM, we use the Objective/Modification-Improvement (MI) Worksheet to document business objectives, which is available on the Internet at:

<http://www.phmainstreet.com/mba/pride/iw005.jpg>

When documenting objectives, consideration is given to:

1. CLASS: MANDATORY/STRATEGIC/TACTICAL

Tactical objectives are concerned with maintaining order within an enterprise, e.g., improve productivity, reduce costs, etc. Strategic objectives are aimed at maintaining a market advantage (staying competitive). For example, entering a new market, introducing a new product or service, diversifications, mergers, acquisitions, etc. Perhaps the best way to distinguish between tactical and strategic objectives is to think of tactical as addressing the "internal" operations of the enterprise and strategic as addressing the "external" operations. Mandatory objectives are those a company are forced to accommodate, such as through governmental regulation (e.g., laws, rules) or simply for corporate survival.

2. TIME DEPENDENCIES

One of the attributes making objectives volatile is that they all have maximum delivery dates, whether it be expressed in days, weeks, months, or years. Even the expression "As Soon As Possible" (ASAP) refers to certain mandatory time constraints. The required time frame could be as precise as April 15th (the date when U.S. income tax returns are due) or as imprecise as the end of the decade or "OPEN" whereby we will get to it when we can.

3. TYPES OF WORK EFFORT

There are three basic types of work effort: Maintenance, which is the correction of problems or errors to existing products or services; New Development, which represents new areas of interest to the enterprise; and Modification/Improvements which represents changes and enhancements to existing products or services. Most business objectives deal with "modification/improvements" which is why we commonly refer to them in "PRIDE" as "mod/imps." It is also a recognition that enterprises evolve over time.

4. TEXTURAL DESCRIPTION - should include:

- A. Statement of PROBLEM AND/OR OPPORTUNITY to be addressed; including a description of the

"objects" involved, be it customers, products, employees, orders, back-orders, shipments, etc.

- B. AREAS AFFECTED - both internal business functions and external enterprises, directly and indirectly.

- C. MEASUREMENT CRITERIA which substantiates when the objective has been met. This determination must be quantifiable. There is little point in establishing objectives if you cannot verify their completion.

5. OBJECTIVES SHOULD NOT BE DEPENDENT ON OTHER OBJECTIVES.

They should be defined as independent entities for simplicity. Objectives can be grouped into projects as required. Dependencies can then be expressed through projects.

6. OBJECTIVES MAY BE GROUPED WITH OTHER OBJECTIVES INTO PROJECTS.

An objective is implemented through one or more projects. This implies there is not necessarily a one-to-one relationship between objectives and projects. One objective may be implemented through several projects. Conversely, one project may help implement several objectives. Although the criteria for grouping objectives can be arbitrary, it should be based on the common characteristics of objectives, including:

- A. Compatible work effort: Modification/Improvements, New Development, and Maintenance.

- B. Compatible due dates.

- C. Common areas of the company affected by the objectives.

7. PRIORITY WEIGHTING

This reflects the value of the objective to the business and is a critical variable in the calculation of priorities. An arbitrary assignment of an objective weight, without any specific rationale, will lead to inconsistent priority rankings. Instead, we recommend the standardization of priority weights based on a precise and rational criteria, which will lead to more reliable results. Under "PRIDE"-EEM, a priority weight is a number from 1 (high) to 99 (low). The assignment of the weight is derived from tables reflecting business objective class (strate-

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gic, tactical, mandatory), time dependency (required delivery), and economic impact (anticipated return on investment).

For more information on Priority Weighting, see:

<http://www.phmainstreet.com/mba/pride/eesppw.htm>

Following this, attention terms to documenting...

PROJECT DESCRIPTIONS

A project is a scope of work consisting of one or more phases of work. It is an application of resources to a specific objective through the execution of a prescribed sequence of events. This sequence is governed by a methodology. Sample methodologies include "PRIDE"-EEM, ISEM, and DBEM.

Under "PRIDE"-EEM, Projects are documented using the Project Description (PD) Worksheet, which is available on the Internet at:

<http://www.phmainstreet.com/mba/pride/iw006.jpg>

When documenting projects, consideration is given to:

1. THE BUSINESS OBJECTIVE(S) IMPLEMENTED BY THE PROJECT

As mentioned, there is not necessarily a one-to-one relationship between objectives and projects. One project may implement many objectives and one objective may be implemented by many projects.



2. TIME DEPENDENCIES

The general delivery date of the project is derived by the objective(s) it supports.

3. PROJECT SCOPE - a textural description consisting of:

- A. Statement of PROBLEM AND/OR OPPORTUNITY to be addressed; including a description of the "objects" involved, be it customers, products, employees, orders, back-orders, shipments, etc.

B. AREAS AFFECTED - both internal business functions and external enterprises, directly and indirectly.

CALCULATING PRIORITIES

After the business objectives and projects have been properly documented and related, it is time to calculate their priority rankings. This is performed simply by...

- 1. Sorting and listing the objectives by priority ranking.

Based on their "weight" and due date, objectives are then ranked in priority sequence, using a scale from 0001 (high) to 9999 (low). This ranking becomes a part of the Enterprise Information Strategy.

- 2. Listing the projects in priority ranking which is derived from the objective ranking.

The objective rankings are then used to determine the ranking of all projects. Here, the average ranking of all of the objectives that a project implements is used to establish the project ranking. For example:

OBJECTIVE NUMBER	RANKING	AVG OBJECTV. RANKING	PROJECT NUMBER	PROJ-RANK
00001	1	14	00320	3
00010	25			
00020	16			
00040	12	28	01216	4
00345	44			
00029	2	6	01011	1
00042	5			
00021	11			
00132	7	7	01211	2

In this small example, you see how objective rankings have a direct effect on how the projects are ranked. What this means is that as objectives change, the project rankings, in turn, will change. This concept promotes the fact that the Enterprise Information Strategy is a "living" document and is constantly undergoing change.

Both the proposed objective and project rankings are compared to existing priorities. Adjustments to priority "weighting" and rankings are implemented accordingly.

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"SAMPLE EIS OBJECTIVE RANKING"

RANK	OBJ. NUMB	NAME	WGHT	DATE REQSTED	DUE DATE	PROJ NUMB
0001	901	CUSTOMER ORDER SYSTEM	01	01/01/05	ASAP	PEND
0002	844	MATERIALS RESOURCE PLANNING	26	01/01/05	ASAP	132
0003	845	INVENTORY SYSTEM UPGRADE	25	01/01/05	04/01/06	132
0004	846	PARTS PICKING	25	01/01/05	04/01/06	132
0005	899	AUDIT ENGINEERING SYSTEM	55	12/15/04	02/10/05	133
0006	844	IMPLEMENT Q.A. PROGRAM	55	06/01/04	06/01/05	101
0007	007	PREP POLICIES & PROC MANUAL	75	01/01/04	ASAP	101
0008	014	SALES SYSTEM EVALUATION	75	01/01/04	ASAP	199
0009	222	CONSTRUCT WAREHOUSE	75	01/01/04	ASAP	557
0010	080	R.F.Q. ANALYSIS	75	01/01/04	03/01/05	162
0011	056	IMPLEMENT IRS CHANGES	75	01/01/05	04/15/05	200
0012	067	MODIFY SECURITY SYSTEM	75	12/15/03	OPEN	137

* * * END OBJECTIVE RANKING * * *

"SAMPLE EIS PROJECT RANKING"

RANK	PROJ NUMB	NAME	PROJECT STANDING	DATE REQUIRED	OBJ NUMB
0001	132	MATERIAL RESOURCE PLANNING	ACTIVE	ASAP	844 845 846
0002	133	ENGINEERING SYSTEM AUDIT	ACTIVE	02/10/05	899
0003	199	SALES SYSTEM	ACTIVE	ASAP	014
0004	101	REVISE QA/STANDARDS	ACTIVE	09/30/05	844 007
0005	557	WAREHOUSE PROJECT	ACTIVE	ASAP	222
0006	162	R.F.Q. ANALYSIS	ACTIVE	03/01/05	080
0007	200	IRS SYSTEM CHANGES	ACTIVE	04/15/05	056
0008	137	MODIFY SECURITY SYSTEM	ACTIVE	OPEN	067

* * * END PROJECT RANKING * * *

A textual justification for the rankings is then prepared for the EIS. The text explains the rationale for the objective and project rankings, what effect it will have on the existing Enterprise Information Strategy (changes, additions, deletions), and how it will accommodate the overall business plan.

Although the Enterprise Engineering function assists in the development of the EIS, it is Executive Management that determines the final plan as it is ultimately charting corporate direction.

If the EIS is acceptable as proposed, IRM/IT Management is then instructed to implement the strategy accordingly. This includes initiation of Systems Engineering and Data Base Engineering related projects. It also

includes the initiation of additional Enterprise Engineering related projects to maintain the evolution of the EIS.

CONCLUSION

The strategies used to run an enterprise can be highly proprietary and sensitive, particularly in business. In some companies, business plans may be known only by a few key executives. A prospectus, precis or annual report typically will offer only a superficial description of corporate direction, usually for public dissemination. They offer more about what the company has done in the past, not necessarily what it plans to do in the future.

In order to formulate an effective information strategy, one synchronized with the direction of the enterprise, the business plan must be defined, even if it is to be maintained on a highly confidential basis. An information strategy that is not based on a business plan is unproductive. Development projects will tend to address the wrong problems/opportunities and will waste considerable resources, most notably time and money. Again, our objective is to get everyone in the company rowing on the same oar in the same direction, not at odds with each other or in different directions. To do so, we must recognize and accommodate change. Inflexible business systems plans that cannot accommodate change are not worth the paper they are printed on. In a way, it reminds of a famous quote from General George S. Patton commenting on France's impressive but inflexible "Maginot Line" to keep the Germans out of France; "*Fixed fortifications are monuments to man's stupidity.*"

You've got to remember that Patton was a legendary tank commander who knew how to shift gears and turn on a dime. Do you?

For more information on developing an EIS, see "PRIDE"-EEM Phase 4 - Enterprise Information Strategy <http://www.phmainstreet.com/mba/pride/ee40.htm>

END

"PRIDE" Special Subject Bulletins can be found at:

<http://www.phmainstreet.com/mba/mbass.htm>

They are also available through the "PRIDE Methodologies for IRM Discussion Group" at:

<http://groups.yahoo.com/group/mbaprider/>

You are welcome to join this group if you are so inclined.
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The "Management Visions" Internet audio broadcast is available at:

<http://www.phmainstreet.com/mba/mv.htm>

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