

**Chapter 2 - Project Selection and Prioritization**

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**TRUE/FALSE**

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

ANS: T                      DIF: Easy                      REF: P. 28                      OBJ: CPMT.KLOP.15.02.01  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Knowledge

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

ANS: T                      DIF: Easy                      REF: P. 28                      OBJ: CPMT.KLOP.15.02.01  
NAT: BUSPROG: CPMT.KLOP.15.03                      KEY: Bloom's: Knowledge

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

ANS: F                      DIF: Moderate                      REF: P.28                      OBJ: CPMT.KLOP.15.02.01  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Comprehension

4. The internal part of strategic analysis considers opportunities and threats posed by competitors, suppliers and regulatory agencies among others.

ANS: F                      DIF: Moderate                      REF: P. 28                      OBJ: CPMT.KLOP.15.02.01  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Comprehension

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

ANS: T                      DIF: Moderate                      REF: P. 28                      OBJ: CPMT.KLOP.15.02.01  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Comprehension

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

ANS: F                      DIF: Challenging                      REF: P. 31                      OBJ: CPMT.KLOP.15.02.01  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Blooms: Application

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

ANS: F                      DIF: Moderate                      REF: P. 29                      OBJ: CPMT.KLOP.15.02.01  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Comprehension

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

ANS: T                      DIF: Moderate                      REF: P. 31                      OBJ: CPMT.KLOP.15.02.03  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Comprehension

9. Strategic objectives describe both long and short term results that are desired, along with measures to determine their achievement.

ANS: T                      DIF: Easy                      REF: P. 31                      OBJ: CPMT.KLOP.15.02.03  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Knowledge

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

ANS: T                      DIF: Moderate                      REF: P. 31, 33                      OBJ: CPMT.KLOP.15.02.01  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Comprehension

11. A portfolio is a collection of projects, programs, subportfolios, and operations managed as a group to achieve strategic business objectives.

ANS: T                      DIF: Easy                      REF: P. 32                      OBJ: CPMT.KLOP.15.02.03  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Knowledge

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: Moderate                      REF: P. 32                      OBJ: CPMT.KLOP.15.02.03  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Comprehension

13. Portfolio management aligns with organizational strategies by selecting the right projects, prioritizing work, and providing needed resources.

ANS: T                      DIF: Easy                      REF: P. 31                      OBJ: CPMT.KLOP.15.02.03  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Knowledge

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

ANS: T                      DIF: Moderate                      REF: P. 34                      OBJ: CPMT.KLOP.15.02.03  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Comprehension

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

ANS: T                      DIF: Moderate                      REF: P. 31                      OBJ: CPMT.KLOP.15.02.03  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Comprehension

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: Moderate                      REF: P. 35                      OBJ: CPMT.KLOP.15.02.03  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Comprehension

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

ANS: T                      DIF: Moderate                      REF: P. 36                      OBJ: CPMT.KLOP.15.02.03  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Comprehension

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

ANS: T                      DIF: Moderate                      REF: P. 37                      OBJ: CPMT.KLOP.15.02.02  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Comprehension

19. None of the financial project selection models ensure alignment of the project with an organization's strategic goals.
- ANS: T                      DIF: Moderate                      REF: P. 38                      OBJ: CPMT.KLOP.15.02.02  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Comprehension
20. Scoring models are most useful when there are multiple projects and several criteria to consider.
- ANS: T                      DIF: Easy                      REF: P. 38                      OBJ: CPMT.KLOP.15.02.04  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Knowledge
21. Traditional financial models are most useful when there are multiple projects and several criteria to consider.
- ANS: F                      DIF: Moderate                      REF: P. 38                      OBJ: CPMT.KLOP.15.02.04  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Comprehension
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: Moderate                      REF: P. 38                      OBJ: CPMT.KLOP.15.02.03  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Comprehension
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: P. 38                      OBJ: CPMT.KLOP.15.02.04  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Comprehension
24. Scoring models are very useful in providing input regarding the starting order of projects.
- ANS: T                      DIF: Easy                      REF: P. 40                      OBJ: CPMT.KLOP.15.02.04  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Knowledge
25. Project selection scoring models are very useful in providing performance data that can be used to terminate a project.
- ANS: F                      DIF: Challenging                      REF: P. 38                      OBJ: CPMT.KLOP.15.02.04  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Application
26. When a firm prepares to submit a proposal, it is really conducting a small project with the primary deliverable of the project being a compelling and complete proposal.
- ANS: T                      DIF: Easy                      REF: P. 43                      OBJ: CPMT.KLOP.15.02.05  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Knowledge
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: P. 43                      OBJ: CPMT.KLOP.15.02.05  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Application

## 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: Moderate                      REF: P. 28                      OBJ: CPMT.KLOP.15.02.01  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Comprehension

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: Easy                      REF: P. 28                      OBJ: CPMT.KLOP.15.02.01  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Knowledge

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: Moderate                      REF: P. 29                      OBJ: CPMT.KLOP.15.02.01  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Comprehension

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: Challenging                      REF: P. 28 - 31                      OBJ: CPMT.KLOP.15.02.01  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Application

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: Moderate                      REF: P. 31                      OBJ: CPMT.KLOP.15.02.01  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Comprehension

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 cannot include operations and programs.
- c. Portfolios usually include a mix of high-risk and low-risk projects.
- d. All projects in a portfolio contribute to the organization's goals.

ANS: B                      DIF: Moderate                      REF: P. 32                      OBJ: CPMT.KLOP.15.02.01  
 NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Comprehension

7. Portfolios deal with all of an organization's projects, while programs deal with:
- a. ongoing operations
  - b. a specific group of related projects
  - c. resource availability
  - d. tradeoffs between schedule, scope and quality

ANS: B                      DIF: Moderate                      REF: P. 32                      OBJ: CPMT.KLOP.15.02.01  
 NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Comprehension

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

- a. managing ongoing projects
- b. providing needed resources
- c. selecting the right projects
- d. prioritizing work to be done

ANS: A                      DIF: Moderate                      REF: P.31                      OBJ: CPMT.KLOP.15.02.01  
 NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Comprehension

9. The document that describes why the project is needed, and may include estimated costs and benefits, is called a:
- a. program management plan
  - b. business case
  - c. SWOT analysis
  - d. guiding principle

ANS: B                      DIF: Moderate                      REF: P. 35                      OBJ: CPMT.KLOP.15.02.03  
 NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Comprehension

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, creativity, and empowered decision making?
- b. Does the organization have a clearly defined project management process?
- c. Do teams and individuals follow instructions well?
- d. Does the organization monitor and understand its external environment?

ANS: C                      DIF: Moderate                      REF: P. 34                      OBJ: CPMT.KLOP.15.02.03  
 NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Comprehension

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: Moderate                      REF: P. 35                      OBJ: CPMT.KLOP.15.02.03  
 NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Comprehension

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

- a. These methods are often used together to ensure financial and non-financial factors are both considered.
- b. Financial methods are preferred because they ensure alignment with the organization's strategic goals.
- c. Scoring models are unreliable because they fail to consider financial factors.
- d. One of these techniques is typically used to the exclusion of the other, due to time demands.

ANS: A                      DIF: Moderate                      REF: P. 36                      OBJ: CPMT.KLOP.15.02.03  
 NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Application

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

- a. The benefit-to-cost models favor projects which generate the smallest absolute return over a specified period.
- b. Payback period models do not consider the profit to be realized after the costs are paid.
- c. The Net Present Value (NPV) method does not consider the time value of money.
- d. The Internal Rate of Return (IRR) method is difficult to use when a project has conventional cash flows.

ANS: B                      DIF: Challenging                      REF: P. 37                      OBJ: CPMT.KLOP.15.02.02  
 NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Application

14. All of the following criteria serve as a valid basis for identifying potential projects in most organizations EXCEPT:

- a. social need
- b. environmental considerations
- c. technological advances
- d. internal politics

ANS: D                      DIF: Easy                      REF: P. 35                      OBJ: CPMT.KLOP.15.02.03  
 NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Knowledge

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	<b>104</b>
	3	4	5	4	

Project B	30	24	35	20	<b>109</b>
Project C	<sup>3</sup> 30	<sup>4</sup> 24	<sup>3</sup> 21	<sup>2</sup> 10	<b>85</b>
Project D	<sup>2</sup> 20	<sup>2</sup> 12	<sup>5</sup> 35	<sup>3</sup> 15	<b>82</b>

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?
- strategic fit
  - risk
  - market potential
  - probability of success

ANS: A                      DIF: Moderate                      REF: P. 40                      OBJ: CPMT.KLOP.15.02.04  
 NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Application

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

ANS: B                      DIF: Moderate                      REF: P. 40                      OBJ: CPMT.KLOP.15.02.04  
 NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Application

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?
- Project A
  - Project B
  - Project C
  - Project D

ANS: B                      DIF: Easy                      REF: P. 40                      OBJ: CPMT.KLOP.15.02.04  
 NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Application

18. Based on the information provided in Figure 2-1, which project is least attractive based on the strategic fit?
- Project A
  - Project B
  - Project C
  - Project D

ANS: D                      DIF: Moderate                      REF: P. 40                      OBJ: CPMT.KLOP.15.02.04  
 NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Application

19. Once selected projects have been prioritized, it is time to assign resources to projects based on their order of priority. Resources could include all of the following EXCEPT:
- subject matter experts
  - equipment
  - quality metrics
  - money

ANS: C                      DIF: Easy                      REF: P. 41                      OBJ: CPMT.KLOP.15.02.03  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Knowledge

20. Which of the following is NOT a typical source selection criterion that an organization would use to evaluate potential contractors?
- life cycle cost
  - references
  - personalities
  - technical approach

ANS: C                      DIF: Easy                      REF: P. 43                      OBJ: CPMT.KLOP.15.02.05  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Knowledge

21. All of the following organizations can effectively use a scoring model to select and prioritize competing projects EXCEPT:
- the leadership team
  - client companies
  - contractor companies
  - program management office

ANS: D                      DIF: Challenging                      REF: P. 43                      OBJ: CPMT.KLOP.15.02.04  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Application

22. All of the following may be negotiated between a client company and a contractor EXCEPT:
- the amount of money to be paid.
  - quality standards
  - selection criteria for scoring models
  - personnel assignments

ANS: C                      DIF: Moderate                      REF: P. 44                      OBJ: CPMT.KLOP.15.02.05  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Comprehension

## ESSAY

1. Describe the relationship between the strategic planning process and portfolio management in an organization.

ANS:

**Key concepts to be covered in the response could include, but are not limited to:**

Project selection should begin with the organization's strategic planning process, which could include a strategic analysis of the organization's strengths and weaknesses (SWOT analysis).

A vision and mission statement would then be developed, and would be used to set strategic objectives for the organization.

Portfolio management would follow, as it "aligns with organizational strategies by selecting the right projects, prioritizing the work, and providing needed resources".

DIF: Challenging                      REF: P. 31, 44                      OBJ: CPMT.KLOP.15.02.01  
NAT: BUSPROG.CPMT.KLOP.15.03                      KEY: Bloom's: Application

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



ANS:

**Key concepts to be covered in the response could include, but are not limited to:**

Financial models are helpful because projects are investments. These models can help to ensure that selected portfolio of projects meets the organization's requirements for revenue, costs and returns.

Organizations often temper financial analysis with non-financial factors, which are sometimes included with the financial factors in a weighted scoring model.

All financial analysis techniques have both strengths and weaknesses and on their own, and cannot insure alignment with the organization's strategic goals. They must be tempered with other considerations.

DIF: Moderate      REF: P. 37 - 38      OBJ: CPMT.KLOP.15.02.02  
NAT: BUSPROG.CPMT.KLOP.15.03      KEY: Bloom's: Comprehension

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

ANS:

**Key concepts to be covered in the response could include, but are not limited to:**

Scoring models are helpful in selecting and prioritizing potential projects. They are useful if there are several criteria for project selection, and multiple projects to consider.

Project selection criteria should include how well each potential project fits with the organization's strategic planning. The company's leaders should agree on these criteria. Mandatory "must do" criteria should be identified and all criteria should be assigned weights.

Projects can then be scored according to each criterion and assigned a weighted score.

When completed the weighted scoring models can serve as a starting point for project selection and order of priority. However, other factors should be considered such as the urgency of each project, practical details concerning the timing, the cost of delaying expected benefits from selected projects, and conflicting resource needs.

DIF: Challenging      REF: P. 38 - 41      OBJ: CPMT.KLOP.15.02.04  
NAT: BUSPROG.CPMT.KLOP.15.03      KEY: Bloom's: Application