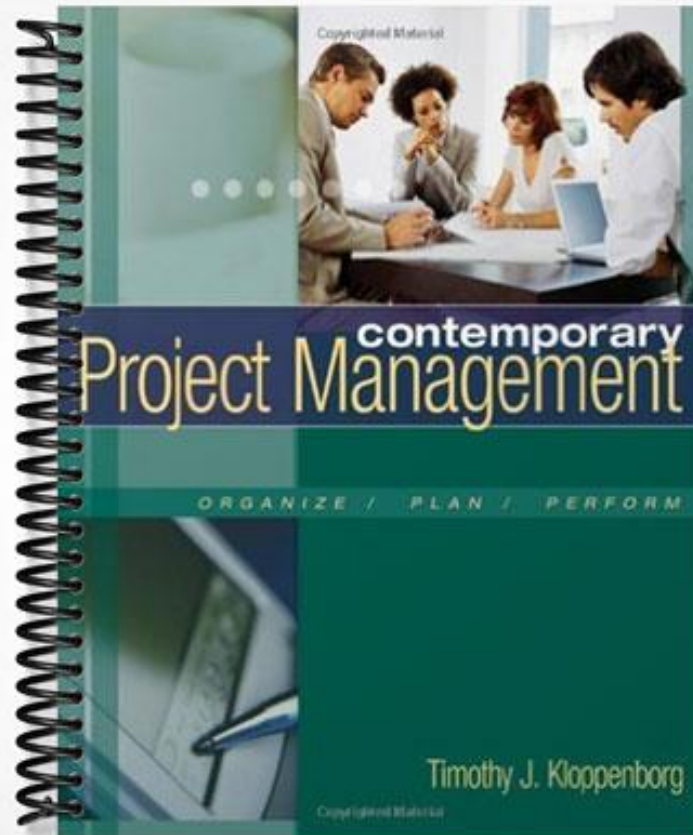


# TEST BANK



## 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 grouped so they can be collectively managed.

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 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: Who should identify projects

27. When a firm prepares to submit a proposal, it is really conducting a small project with the primary deliverable of the project being a proposal.

ANS: T                    DIF: Average            REF: 2.3                    OBJ: Who should identify 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. Which of the following factors influence the opportunities and threats an organization must consider when performing a strategic analysis?

- a. competitors
- b. suppliers
- c. technology
- d. all of these

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

3. A clear and compelling vision will:

- a. often require extra effort to achieve.
- b. often require several years to achieve.
- c. help stakeholders to understand the direction of the firm.
- d. all of these

ANS: D                    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. Which of the following statements concerning project portfolios is true?

- a. The projects in a portfolio are grouped to be managed collectively.
- b. All projects in a portfolio contribute to the organization's goals.
- c. Portfolios usually include a mix of high-risk projects and easy projects.
- d. all of these

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

7. Managers performing portfolio alignment will:
- assess the organization's ability to perform projects.
  - identify and select projects to achieve strategic goals.
  - prioritize a portfolio of projects and other work.
  - all of these

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

8. Portfolio alignment helps an organization achieve its goals by:
- removing duplicate or redundant projects.
  - resolving inconsistencies between project scopes.
  - improving the mix of projects.
  - all of these

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

9. Portfolio alignment helps an organization achieve its goals by:
- adopting highly similar projects to insure against failure.
  - resolving inconsistencies between project scopes.
  - decreasing the variety of projects to leverage specialization.
  - all of these

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

10. Which of the following factors should be assessed to determine an organization's ability to perform projects?
- Does the organization have free and open communication?
  - Does the organization have a defined project management process?
  - Do teams and individuals exhibit leadership?
  - all of these

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

11. Which of the following represent appropriate sources to identify new potential projects?
- existing and potential customers
  - the operations staff within the organization
  - industry and trade journals
  - all of these

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?
- Both methods are often used together to ensure financial and non-financial factors are both considered.
  - Financial methods are preferred because non-financial methods are unreliable.
  - Scoring models are rarely used because they fail to consider financial factors.
  - 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 selected financial project selection model?
- The benefit-to-cost models favor projects which generate the largest absolute return over a specified period.
  - Payback period models most accurately consider the profit to be realized after the costs are paid.
  - The Net Present Value (NPV) method considers the time value of money.
  - 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. Which of the following criteria serve(s) as a valid basis for selecting projects in most contemporary firms?
- Does the project support organizational objectives?
  - Will the results of the project be competitive in the market place?
  - Does the company hve the resources needed to complete the project?
  - all of these

ANS: D                    DIF: Average            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	<b>104</b>
Project B	3 30	4 24	5 35	4 20	<b>109</b>
Project C	3 30	4 24	3 21	2 10	<b>85</b>
Project D	2 20	2 12	5 35	3 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?
- 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: Identify new projects
20. Which of the following organizations can effectively use a scoring model to select and prioritize competing projects?
- a. the company leadership team
  - b. client organizations seeking external support



- c. contractor companies seeking project opportunities
- d. all of these

ANS: D                      DIF: Challenging    REF: 2.3                      OBJ: Identify new projects

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. none of these

ANS: C                      DIF: Average              REF: 2.3                      OBJ: Identify 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