



Stroud Quarterly

This issue of our newsletter highlights two essential steps in the improvement process: prioritization and problem solving. We hope this material helps your team by providing another perspective on these fundamental concepts. Please contact us directly with your feedback and ideas, and you can always visit our website at www.stroudconsulting.com to learn more about our practice.

Nathaniel Greene, Managing Partner
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In the May issue:

- **Full Article:** Prioritization means agreeing what not to do, yet
- **Article Synopsis:** Solving problems from first principles - Step 1: Define the problem
- **Case Study Synopsis:** Global Competition: An industrial coatings manufacturer radically changes its cost structure to compete in a global market

Prioritization means agreeing what not to do, yet

by [Ryan Hale](#)



Summary: While many leadership teams focus almost exclusively on effective execution of projects, their role in allocating resources through effective prioritization can have an equal or greater effect on the magnitude of results an organization can achieve. This article will review two common pitfalls leadership teams encounter and introduce a straightforward tool to help your team achieve alignment on priorities quickly.

Prioritization in a leadership team is like the water heater supplying your shower: barely noticed when working well, but frustrating, de-motivating, and impossible to ignore when broken. Although water heaters rarely go more than a few days before receiving needed repairs, many teams will suffer for long periods before investing time to improve their alignment of priorities. If the problem of misaligned priorities is so easy to spot, why is it seemingly difficult to correct?

Most businesses have adopted flatter organizational structures requiring frequent cross-functional interaction and decision-making. We seek input and approval from our counterparts in neighboring functions because our goals and personal incentives are interdependent. Regardless, in times of urgency or pressure, the “me-first” survival instinct often appears in the form of silo thinking among cross-functional teams. Prioritization lights the fuse that leads to an explosion of results by controlling resource allocation. In a world of scarce resources (time, money, talent), deciding which opportunities to pursue largely dictates the rate of improvement, and therefore performance against goals. For cross-functional and interdependent organizations, alignment and cooperation when setting priorities is critical to success.

Ineffective prioritization will prevent organizations from achieving goals for two main reasons:

1. Resourcing too many opportunities at the same time
2. Pursuing opportunities that do not provide the maximum rate of improvement

Many people are familiar with the signs of the first problem: long hours, juggling many projects, overlapping deadlines - yet nothing seems to be closer to conclusion, the performance trends are flat at best, and communications from/among leaders are chock full of “number one” priorities.

The second problem is harder to notice because it is only apparent after the fact - 10% ROI for an 18-month project seems great until we achieve 300% ROI by addressing a different opportunity, and the group wishes it had started the second project 18 months earlier.

Factors that increase complexity

- Time to implement solutions
- Cost of solutions
- Regulatory risk
- Manhours required
- Assumptions about the technical difficulty
- Previous failed attempts

The first way to improve prioritization in a leadership team is to reach explicit agreement on the order in which to pursue potential opportunities. More specifically, this means understanding which opportunities the group is not going to pursue presently. This prevents diluting resources on too many projects at once, and reverses the effects of the first problem described above. For some groups, a straightforward conversation is enough cut off the list of resourced projects at a fixed number. One team described this conversation as taking “the courage to say no” and hold each other to pulling resources from certain commitments, even if they are already underway. Balancing the leadership ‘demand’ with the true

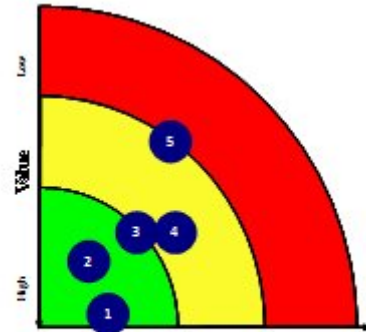
resource ‘supply’ in the organization immediately creates focus and enables a higher rate of improvement for the active opportunities.

This approach sounds straightforward enough for the open, trusting team whose members are willing to park personal projects for the sake of the group’s success. But what if the group can’t reach consensus on the basis of opinion alone? And how does the team have the confidence that their gut feel on a given day matches the underlying economics of the business? The answer to both these questions is: set priorities based on facts.

To employ fact-based prioritization, a team should agree upon the relative priority of improvement areas by comparing the value and complexity of each. Find a common unit to measure value that is relevant to the leadership team - start with annualized dollars and simplify if needed. Complexity is more subjective, and because none of the opportunities on the list has been realized yet, the team should adopt the attitude that complexity is low until the facts prove otherwise. The sidebar contains a list of factors that can increase complexity - the goal of the discussion is to agree upon the relative complexity of each using facts wherever possible.

Graphically, the group can plot the opportunities on the list using value and complexity as axes (see Opportunity Radar chart below). Although it may sound like an arts and crafts project, many leadership teams have commented how hanging this chart on the meeting room wall (sticky notes make this simple) improves agreement, prevents miscommunication, and provides a quick reference tool when reassigning resources.

This discussion to agree upon priorities is not a one-time event - as new information and opportunities come to light, and as currently resourced projects achieve results, the list of opportunities changes as does each opportunity's relative priority (and therefore its position on the Radar). If this topic of actively reviewing priorities is not already on the standing agenda for your leadership team, plan for a regular prioritization discussion. For most businesses, quarterly is the minimum frequency, otherwise the playing field shifts too far in between. Monthly is the maximum frequency, otherwise the group can risk entering firefighting mode without addressing longer-term opportunities.



The Opportunity Radar helps a group agree upon the relative priority of specific opportunities

Prioritization tools, like the process described here and the Opportunity Radar, do not replace leadership thinking and direct, open conversations among a team - they are simply tools to help reach conclusions faster. By first making sure that the organization is working on the right amount of things, and then checking the facts to ensure people are working on the right things to maximize results, a leadership team can increase the organization's rate of improvement, allowing everyone to reap the rewards.

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About the Author

Ryan Hale, a consultant with Stroud Consulting, works with business leaders to improve the profitability of operations. After earning an engineering degree from Cornell University, he moved to the Boston area where he now lives with his family.

Solving problems from first principles

Step 1: Define the problem

[By Taylor Milner](#)

In the introductory article of our five-part series, you'll learn how understanding the fundamentals of your business problem will help you tackle each specific challenge in an efficient, productive manner, regardless of the differences between problems and the solutions required.

We'll also compare the strengths and weaknesses of different problem solving methodologies, highlight the first step of problem solving (there are five in total), and explore the goals you hope to obtain upon completion of the first step.



[Read the rest of the article](#)

Global Competition: An industrial coatings manufacturer radically changes its cost structure to compete in a global market

Case Study Spotlight



The US division of this global industrial coatings manufacturer was the poster child of why US manufacturing jobs were moving overseas. They had the highest manufacturing costs of all their global facilities and would eventually be closed if they could not significantly change their cost base. The US executive team invited Stroud to help them understand the opportunities for improvement.

[Read the rest of the case study](#)
