



ALLOVANCE METHOD™
MAKING DECISIONS SMARTER

Strategic Prioritization

AA/YP LDFA

December 2017

Participatory Values

Full Participation

- All members are encouraged to speak up and say what's on their minds

Mutual Understanding

- Members have to understand and accept the legitimacy of one another's needs and goals

Inclusive Solutions

- Wise solutions that emerge from the integration of everybody's perspectives and needs

Shared Responsibility

- Members recognize that they must be willing and able to implement the proposals they endorse



Agenda

- ❑ Goals/Challenges
- ❑ Engagement Objectives
- ❑ Understand the Process – 5 Steps of the Allowance Method
- ❑ Vision and mission for the AA/YP LDFA
- ❑ Step 1 – Strategize
- ❑ Step 2 – Compare
- ❑ Step 3 – Quantify
- ❑ Step 4 – Score
- ❑ Step 5 - Select



Goals/Challenges

The intent of AA/YP LDFA is to invest its available funds according to their vision and mission, and in a manner aligned with the following strategic priorities:

1. Providing resources to encourage company creation and growth.
2. Fostering and marketing an entrepreneurial and innovative culture that attracts, supports, and retains talent.
3. Promoting the conversion of research into new businesses and jobs from local universities, R&D facilities, and other sources.
4. Furthering collaboration in SE Michigan to enable broader and sustainable ecosystem development.
5. Encouraging an infrastructure agenda with public/private entities to ensure the livability of the area.

The LDFA is facing the challenge of reaching a consensus on how to spend the funds as well as ensuring that the decisions they make are justified and aligned with their strategic priorities.



Engagement Objectives

Allovanance will help LDFA in developing a structured process for strategic prioritization that will result in the following:

- ❑ A clear Strategic Value Scorecard that quantifies LDFA's strategic priorities and objectives.
- ❑ A scientific comparison method that will enable LDFA to calculate relative weights among all their strategic priorities and objectives.
- ❑ A collaborative way of developing measurement scales for all objectives that quantifies subjective criteria.
- ❑ Listing all initiatives and projects and scoring them against the Strategic Value Scorecard.
- ❑ Select projects that are most aligned with strategic priorities.



The Allowance Method Process



Step 1 - Strategize



1. Strategic Priorities

- Strategic priorities are identified by meeting with the strategic team and reaching consensus on the top priorities of LDFA
- The set of priorities has to be mutually exclusive and collectively exhaustive to make sure no priority is missed or duplicated

2. Strategic Objectives

- Strategic priorities are broken down to objectives by thinking of all the factors that can influence the priorities
- Objectives have to be defined clearly to enable the development of measures and scales for each of them

3. Complexity/Urgency

- Consideration has to be given to complexity and urgency definitions. Strategic value should not be confused with urgency

4. Subject Matter Experts

- Experts on all strategic objectives will be identified
- The experts will be used to develop measures for all LDFA strategic objectives
- Experts should be notified of their selection



Step 2 - Compare



1. Strategic Priorities

- Strategic team will meet to perform pairwise comparisons
- All strategic priorities are compared to one another using pairwise comparisons
- The goal is to reach consensus among the strategic team
- Different points of view will be discussed among the team
- Relative weights of all strategic priorities will be calculated

2. Strategic Objectives

- All strategic objectives under each strategic priority will be compared to one another using pairwise comparisons
- Relative weights of all strategic objectives will be calculated

3. Consistency

- Inconsistency ratio is a good indicator of how consistent the group is in performing the pairwise comparisons and obtaining the relative weights
- Low inconsistency ratio indicates all team members are on the same page
- Process may have to be repeated if inconsistency ratio is too high



Step 3 - Quantify



1. Scales

- A meeting is scheduled with each expert to develop scales for objectives that they are assigned to
- Scales will enable LDFA to define how it wants to measure its strategic objectives
- Scales allow subjective criteria to be measured and quantified
- The software calculates project scores based on the established scales

2. Scale Development

- Each scale is divided into four levels
- The levels span a continuum starting from no desirability to high desirability
- The expert will identify a definition for low, medium, and high desirability according to LDFA norms
- A curve is chosen to fit the scale as not all measures are linear
- Experts have the option of customizing their own curves if needed



Step 4 - Score



1. Projects

- A project generally describes an initiative that will be requiring funds
- There will be several attributes attached to each project such as project name, description, ID, and cost.
- A project form will be created for each project. The form may be customized to add more fields that are common to LDFA
- The project form will be used to measure the impact/desirability of each project with respect to all strategic objectives and priorities (strategic value), as well as its complexity and urgency

2. Project Owners

- Project owners are the sponsors requesting funds for their projects
- Project owners will be identified and will receive a system-generated e-mail
- The e-mail will contain a link that will take the project owners to their project dashboards where they can create and submit multiple projects
- Project owners will create their projects and use the sliders on the project form to estimate the impact/desirability of their projects with respect to strategic priorities and objectives, as well as complexity and urgency

3. Project Scorecard

- Based on inputs from the project owners on project forms, the software will calculate a score for the projects on each of the strategic objectives
- Scores will be combined to obtain an overall project score for strategic value, complexity, and urgency
- Projects will be displayed on the project dashboard



Step 5 - Select



1. Project Chart

- All projects will be plotted on a bubble chart where the y-axis represents the strategic value, the x-axis represents the complexity, the color of the bubble represents the urgency, and the size of the bubble represents the cost
- The project selection team will gather to select the prioritized projects for funding
- The team will set the budget that is available for allocation
- There are several strategies for project selection that can be discussed
- The software can suggest a portfolio of projects that are most aligned with strategic priorities.

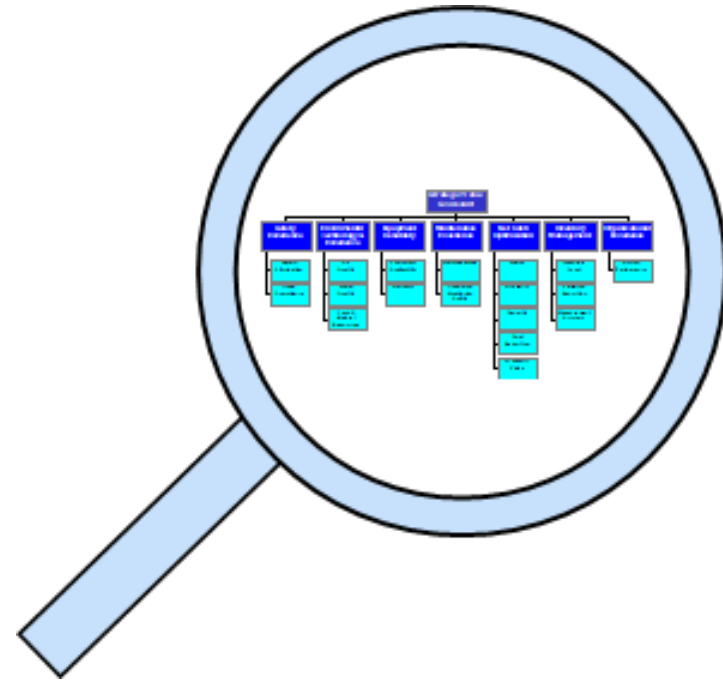
2. Strategic Alignment and Cost Distribution

- Strategic alignment measures how a project or a portfolio of projects align with strategic priorities
- A strong alignment indicates strong likelihood of achieving strategic priorities and objectives
- The alignment is calculated based on the impact of each project on the strategic priorities
- A cost distribution chart is also developed to indicate the cost contribution of each project or portfolio of projects to the strategic priorities
- The cost distribution chart can be very helpful in informing LDFA how much they are spending on each strategic priority
- The software allows the team to filter projects by any strategic priority, objective, or project attribute



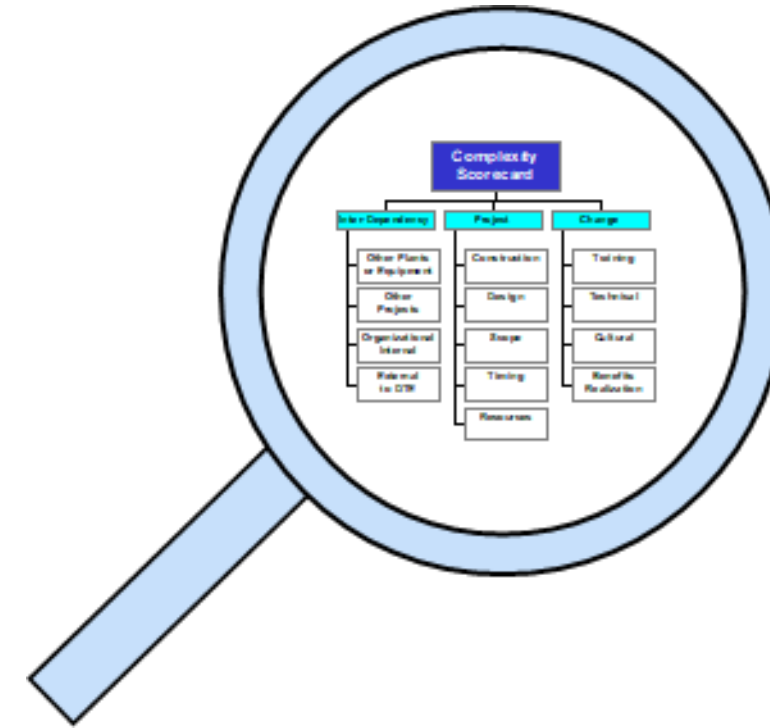
3 Lenses

Strategic Value



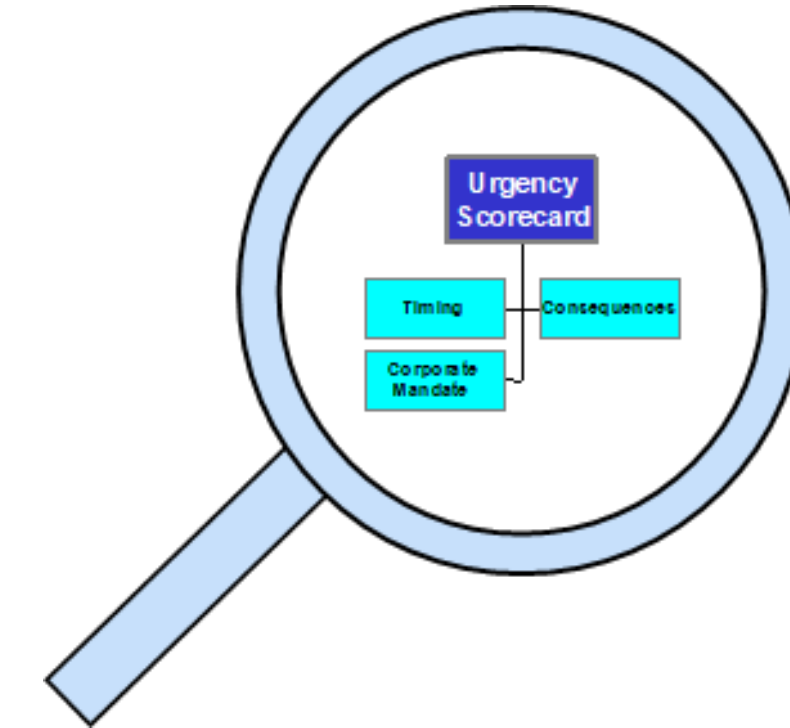
Criteria pertaining to the strategic impact of each project on corporate goals and objectives, as well as its value compared to other projects.

Complexity



Criteria describing technical, management, or implementation complexity of a project, as well as its resource requirements and inter-relationship with other projects.

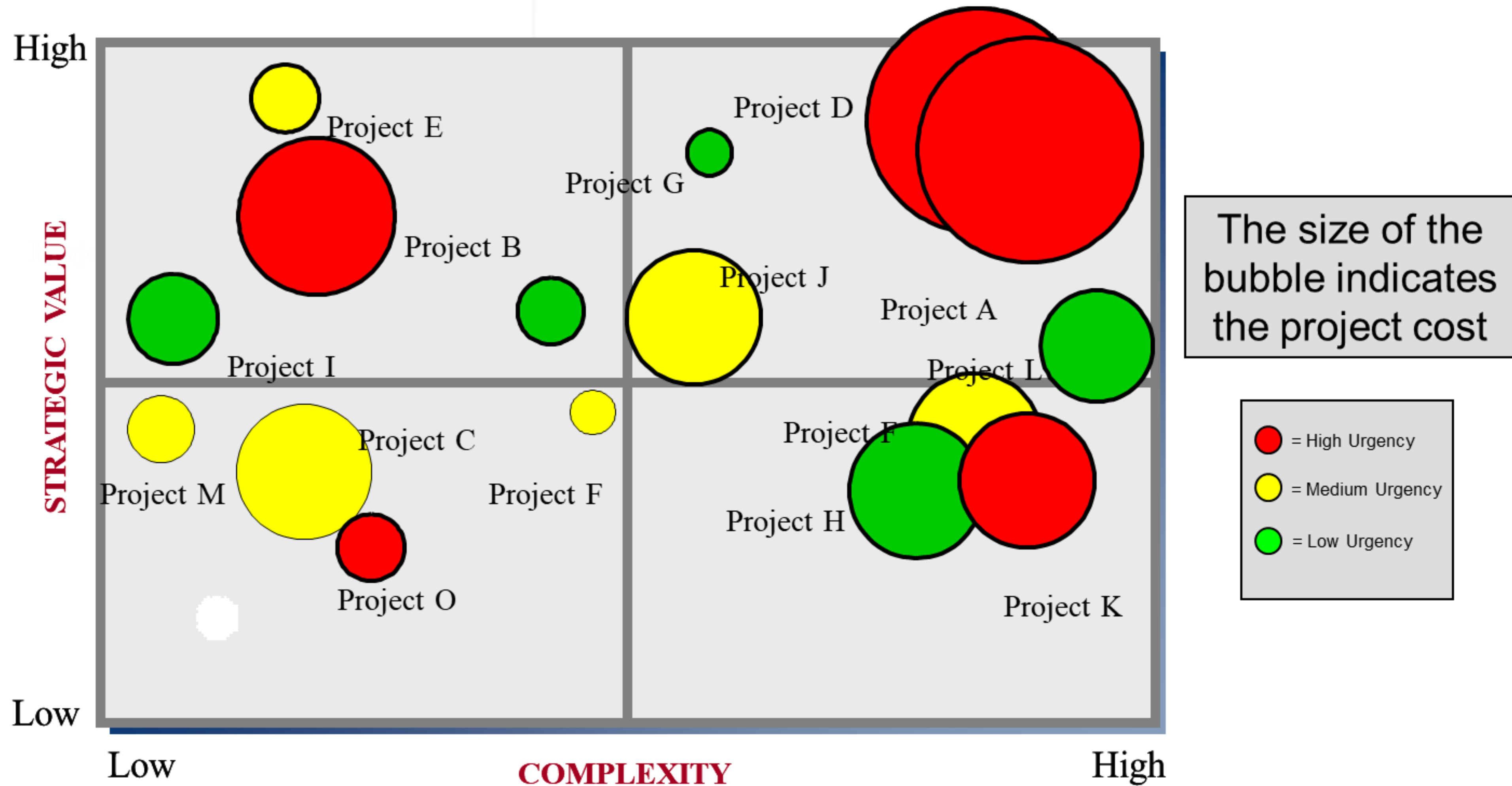
Urgency



This category includes criteria that evaluate the amount of existing risk that can be mitigated by the project.



End goal is strategic alignment



LDFA Vision/Mission

Vision

A connected, collaborative region with a globally recognized culture of innovation and entrepreneurship.

Mission

Establish a sustainable tech ecosystem in the AA/YP region.

