

## Investment prioritisation in a complex multi-stakeholder environment

### the challenge

Our client faced what is a common problem for businesses in capital-intensive industries: a range of investment opportunities greatly exceeding the business's available capital – or its capacity to deliver.

The business had previously formulated a prioritisation framework that sought to identify the mix of projects to overall benefit the business within capital and resource constraints. However, some simplifications in its design and application had led to this investment decision-making framework falling into disrepute:

- The wrong people had governance of the framework. As a result, there was no mechanism for strategic decisions taken at the top of the business to actually be reflected in changes to the work program.
- Project scoring within the framework lacked objectivity and verifiability.
- It was not clear that the scoring domains themselves best reflected the range of ways that a project could deliver benefit to the business.

### what Marchment Hill did

Marchment Hill facilitated the development of a new prioritisation framework that built on the good features of the current approach while resolving the key impediments to its effective implementation. In so doing, Marchment Hill was able to bring contemporary Australian and international approaches to the table for discussion and debate.

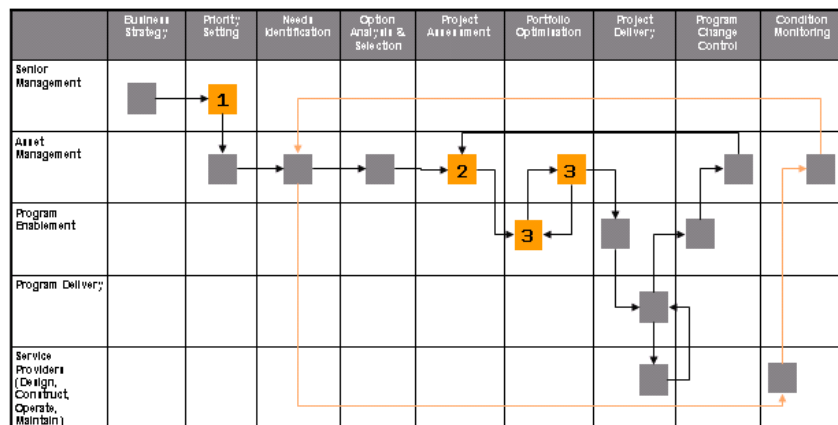


Figure 1: Prioritisation Framework

The Prioritisation framework interfaces at three main points with the workflow: 1. Setting priorities through framework weightings; 2. Assessing projects against the framework; 3. Using project assessments and known constraints to producing an optimal works program.

Through a GM-level Reference Group, Marchment Hill facilitated agreement of the basic approach and the scoring domains. We then led a process with five expert groups drawn from around the business (covering Financial, Safety and Environment, Customer Service, System Performance and Regulatory / Legal / Community domains) to identify what, exactly, it was that really mattered to the business's performance and how the impact that a project would have on it could be quickly and objectively assessed.

In so doing, the team was able to resolve many of the common problems with portfolio optimisation in utilities, including:

- What should be done with projects that are required to meet a statutory obligation?
- Should maintenance be included in the project portfolio, and if so, how?
- How can we be sure that our chosen portfolio of projects can not only be funded, but delivered with the resources available?

#### the benefit

Marchment Hill's consultative approach and hard-headed thinking helped our client to gain a solid conceptual basis for allocating its scarce resources – moreover, one that provided an objective and verifiable basis for project evaluation and reflected the key strategic imperatives facing the business – 'connecting the tiller to the rudder' and providing an audit trail to support investment decisions.

This approach was aligned with the corporate risk management framework, and was clearly understood and substantially accepted by a wide range of key individuals in the business.

For further information please contact:

Ben Connor, Strategy Practice Leader

Mobile +61 401 305 008

Email [benconnor@marchmenthill.com](mailto:benconnor@marchmenthill.com)

Marchment Hill Consulting has offices in three locations which serve Australia and New Zealand, Asia and the Middle East.

Melbourne  
Level 4  
530 Lonsdale Street  
Melbourne Vic 3000, Australia  
Phone: +61 3 9602 5604  
Fax: +61 3 9642 5626

Brisbane  
Level 24, AMP Place  
10 Eagle Street  
Brisbane Qld 4000, Australia  
Phone: +61 7 3303 0264  
Fax: +61 7 3303 8445

Hong Kong  
Level 39  
One Exchange Square  
Central Hong Kong  
Phone: +85 2 3101 7948  
Fax: +85 2 3101 7949

[marchmenthill.com](http://marchmenthill.com)

Strategy Practice | 17039

© 2009 Marchment Hill Consulting All Rights Reserved