Newsletter Series
The Challenge of Digitalization

Part 3: Prioritization Matrix for Digitalization Projects

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Prioritization Matrix for Digitalization Projects

The majority of German companies pursue the topic of digitalization primarily from a technical perspective, focusing on the use of new technologies and tools. Often, digitalization projects are initiated by the IT departments and the main focus is on the renewal and provision of suitable IT infrastructure and IT systems.

Digitalization therefore often acts as a lever for the increase of efficiency, in order to improve cost positions and achieve competitive advantages. Digital customer expectations, future changes in the customer interface or potential threat of existing business models is hardly taken into account.

To know which digitalization initiatives and IT projects are of strategic relevance and which improve cost positions and/or competitive advantages is becoming increasingly crucial.

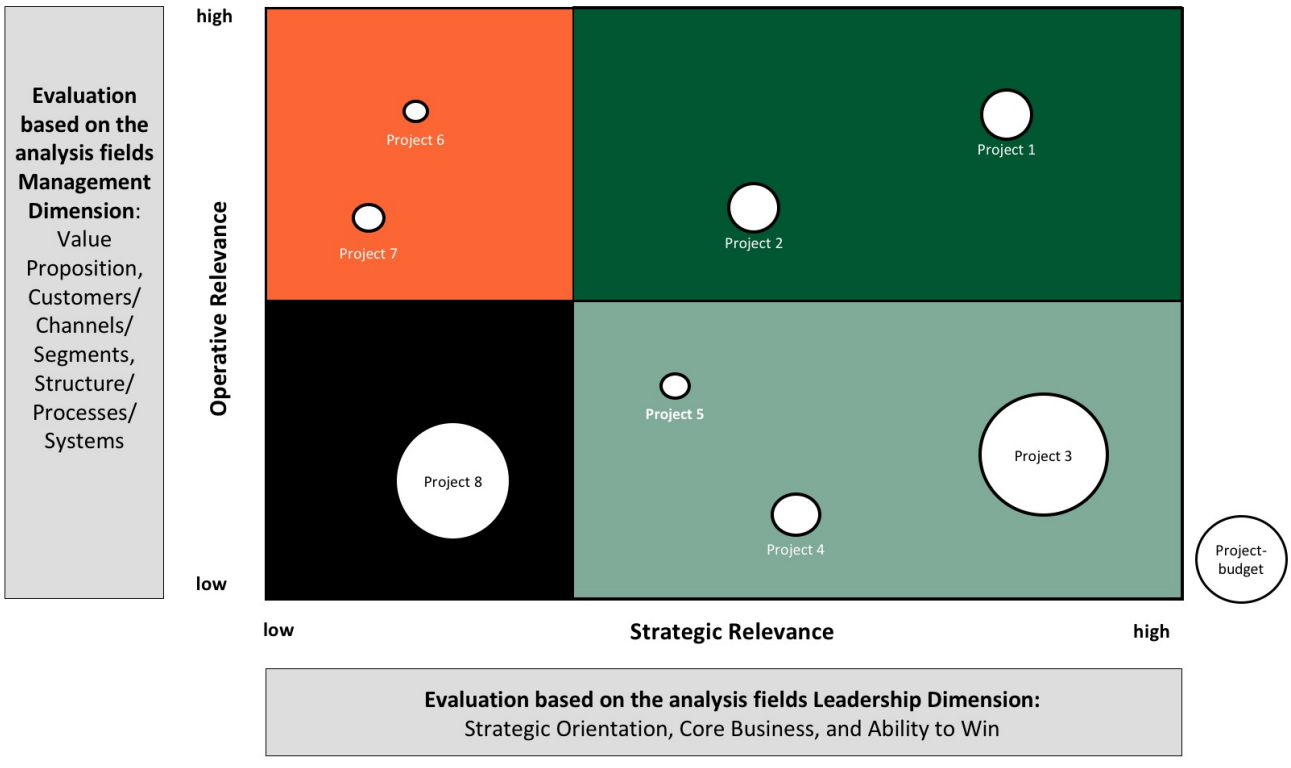
It is easy to recognize the **level of digital maturity** of a company: **digitally mature companies proceed with a focus on innovation and consider possible strategic options in a targeted approach**, companies with a **low level of digital maturity proceed with a focus on IT and bring together existing initiatives in a "bottom up" approach.**

In both cases, the **main question is:** How and in what form can the right priorities be implemented and what is the best resource allocation?

The strategic and operational relevance of the digitalization initiatives and IT projects can be analyzed and evaluated based on the leadership and management dimensions of the **LTP-METHODOLOGY** (see newsletter series digitalization part 1).

Their influence on customer benefit, customer interfaces, and business models is assessed in a targeted manner by means of considering the change dimension in connection with the „game changers“ (see newsletter series digitalization part 2).

The results are summarized in the **prioritization matrix** in which each project is prioritized based on its strategic and operational relevance.



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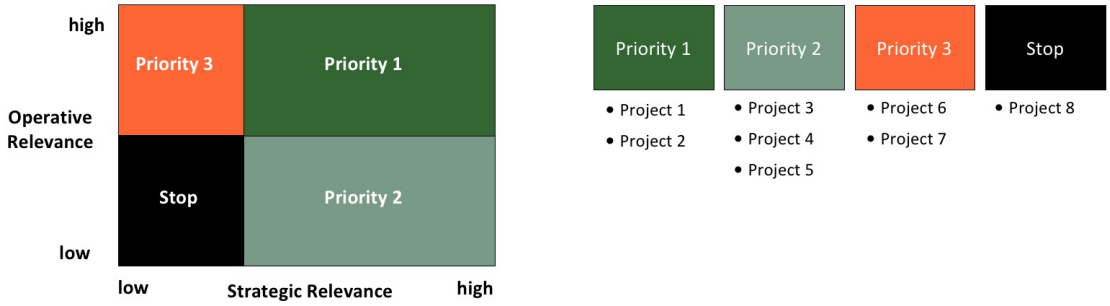
Depending on the position, there are different priorities with regard to implementation and prioritization of resource allocation (capital, time, management talent) based on clear goals and KPIs.

The **prioritization matrix** guarantees that rationalization effects do not block the view of necessary changes. And it helps to avoid optimizing something that perhaps will only play a strategically subordinate role in future.

Classifying Digitalization/IT Projects and Defining Implementation Strategies



Allocation of Resources/Prioritizing and Defining Clear Objectives and KPIs per Project

Objectives and KPIs	Total Portfolio	Priority 1	Priority 2	Priority 3	Stop
Investment	100%	60%	20%	20%	---
Time	100%	70%	20%	10%	---
Talent	100%	60%	25%	15%	---

This is how priorities are set for resource allocation:

Priority 1: Build-up of new strategic options through additional services/products and strengthening of the existing business model by means of high rationalization effects

Priority 2: Optimization of the existing competitive positions or build-up of new strategic options

Priority 3 Achievement of a high level of rationalization effects.

Through **concentration of resources** on **projects with high strategic relevance and a high level of rationalization effects**, the **future-proof focus** of the company is guaranteed.

We would be glad to engage in an exchange of ideas in order to define the optimal approach to digitalization in your company, e.g. as part of a workshop.

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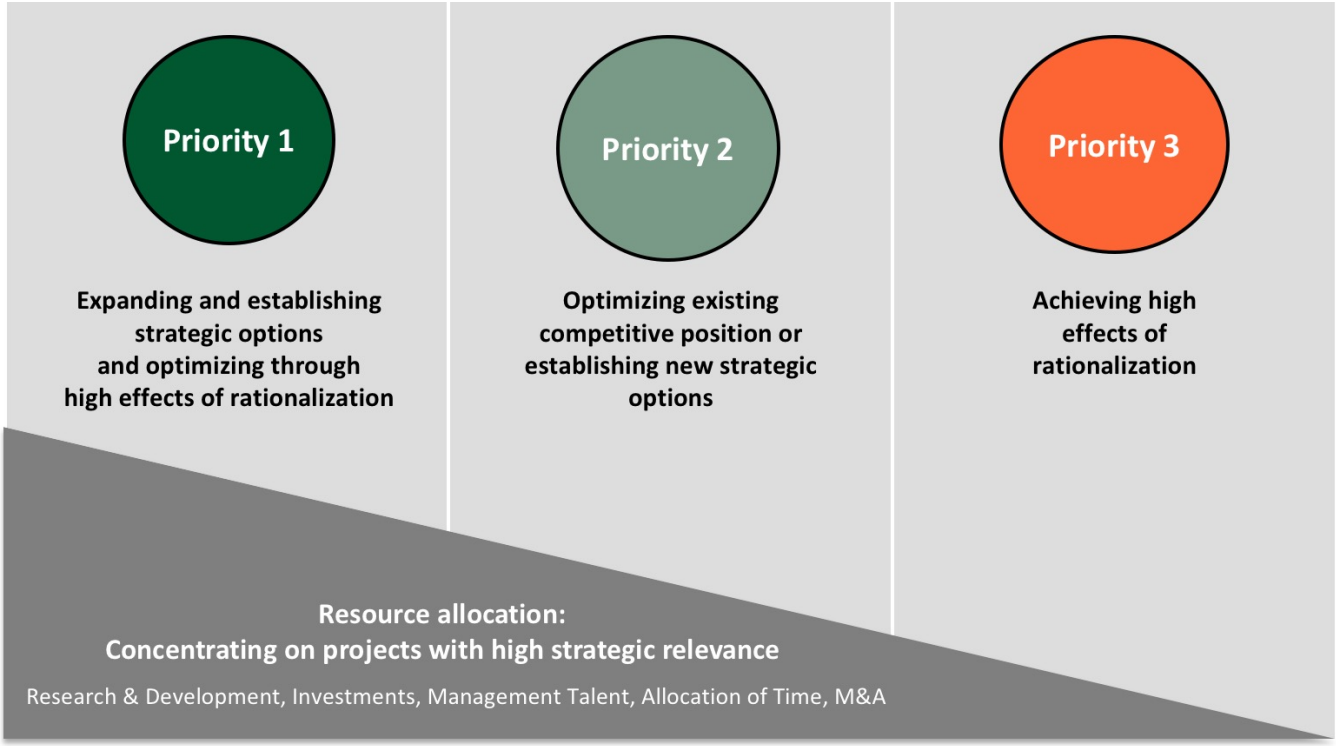

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