

Using the Balanced Scorecard to Enhance the PPM Methodology

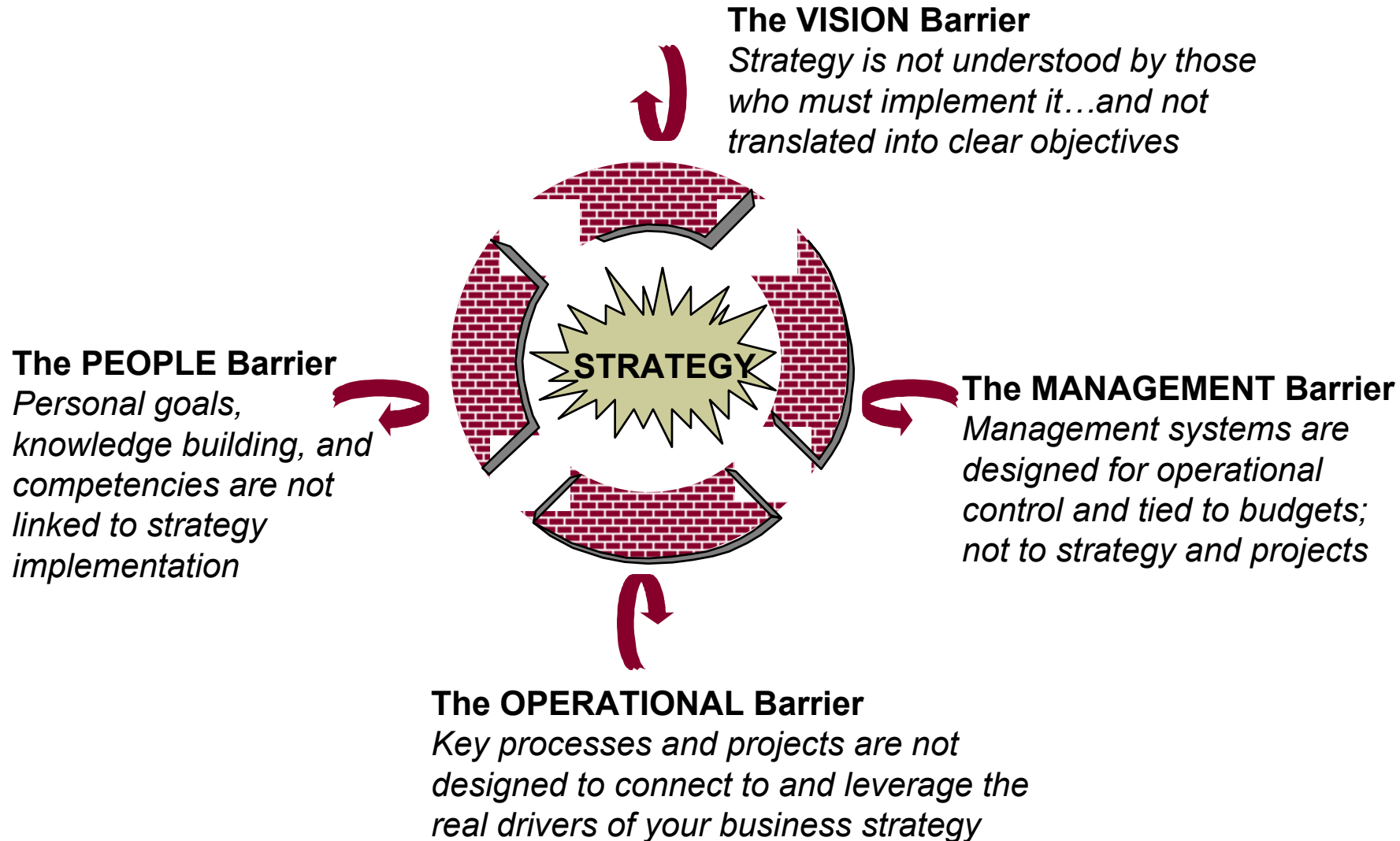


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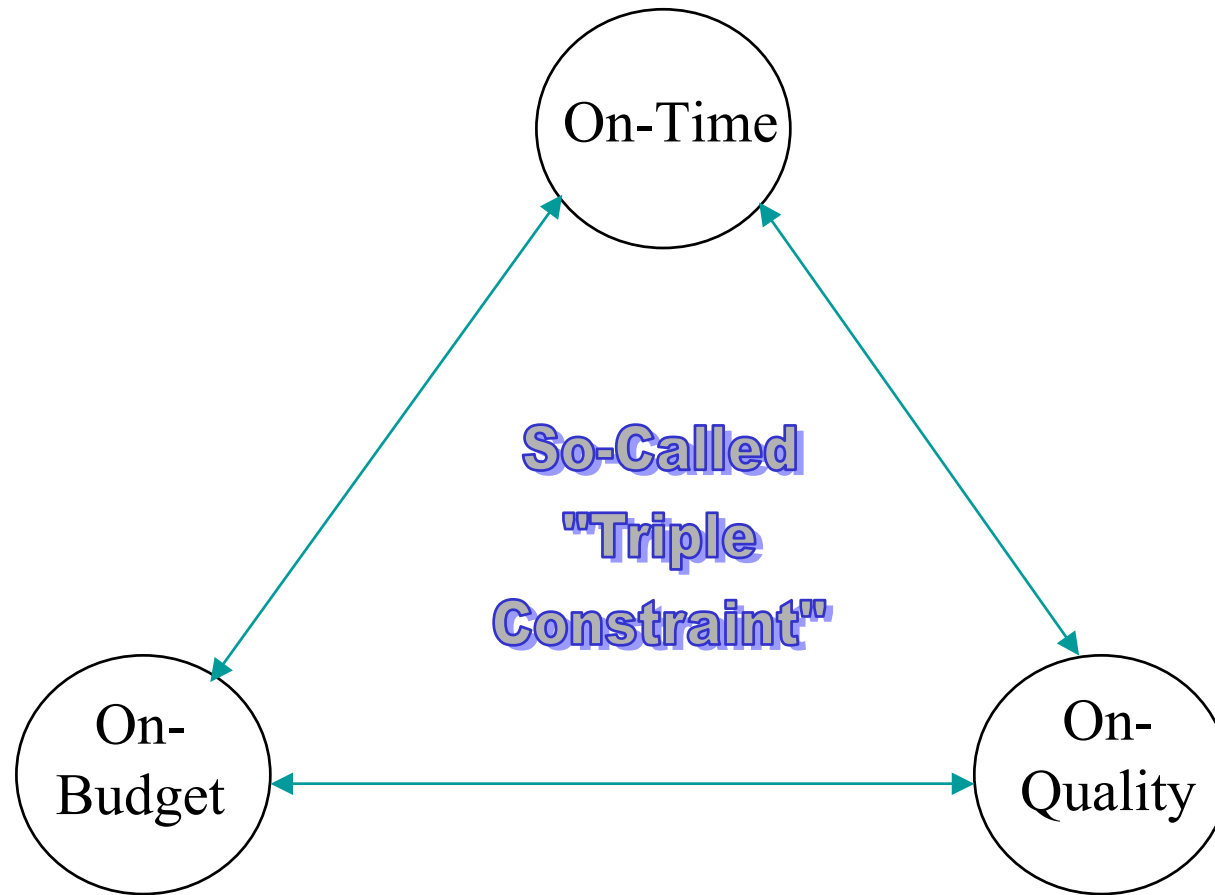
When You Measure Project Results... Do You Fail?

- *The Boston Consulting Group released a study that says two-thirds of their big projects were pegged as unsuccessful overall.*
- *Because companies do not invest in Program Management: Over 85% of organizations do not train their project managers or support them with a "project office"*
- *According to THE WALL STREET JOURNAL, 42% of all technology projects launched in the U.S. are abandoned before completion. With more than \$250 billion spent on IT every year, that means \$105 billion goes down the drain.*

My Own Research Identifies Four Major Barriers To Strategic Success...



The Original “Time-Cost-Quality” Triangle



Good People + Adequate Process + Some Strategy

~~Good People + Adequate Process + Some Strategy~~
= Typical Average Results

But Isn't There a Dimension Missing?

What About On Strategy?

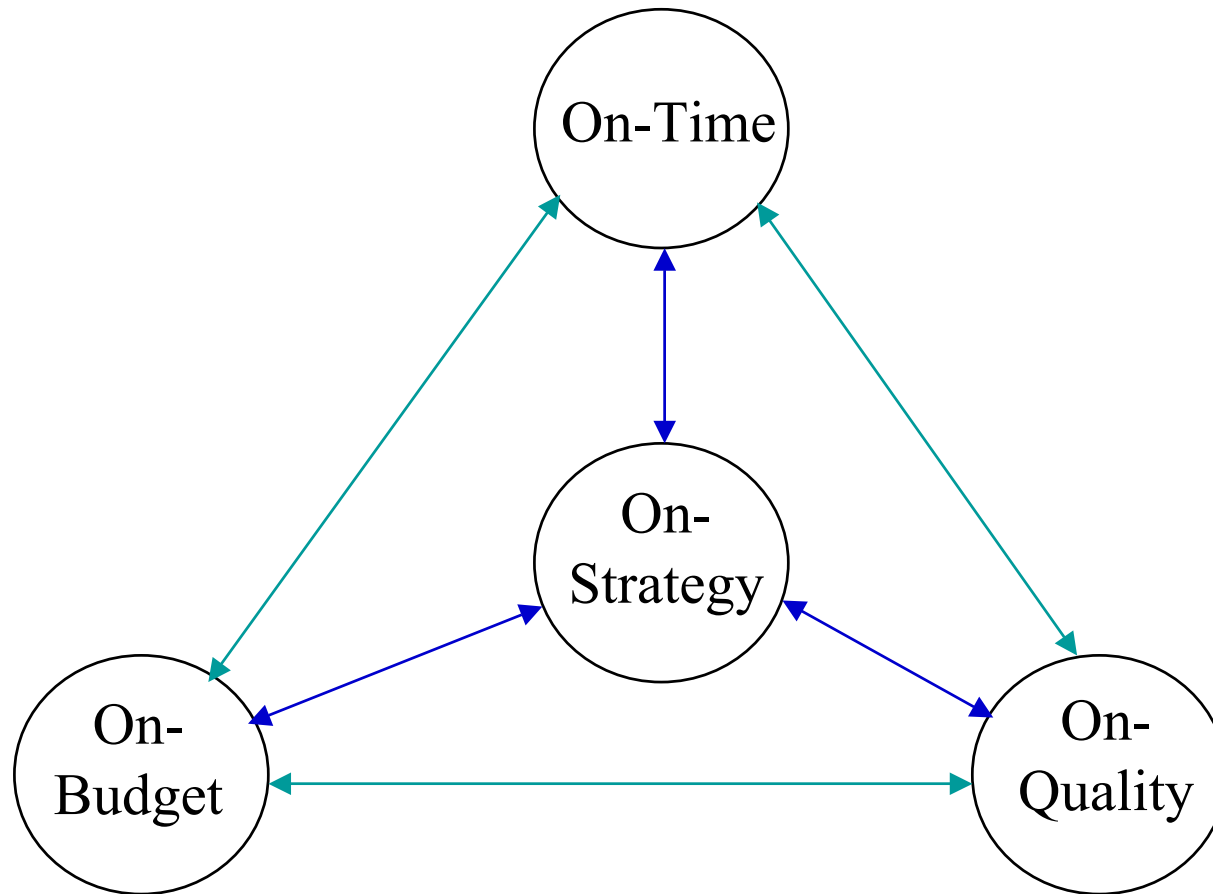
It doesn't matter if your project or program is on-budget and on-time if the company doesn't need it. All too often, the intended strategic outcomes planned for a project or program are not fully achieved or are not all that important if achieved. And, if you face limited resources, how do you pick the projects that will have the most strategic impact?

The Program/Project Strategy Challenge...

Program Managers struggle with answering whether or not their projects are “on strategy” because companies struggle with executing strategy.

The key is to link project results to business strategy in a tangible and visible way that everyone understands.

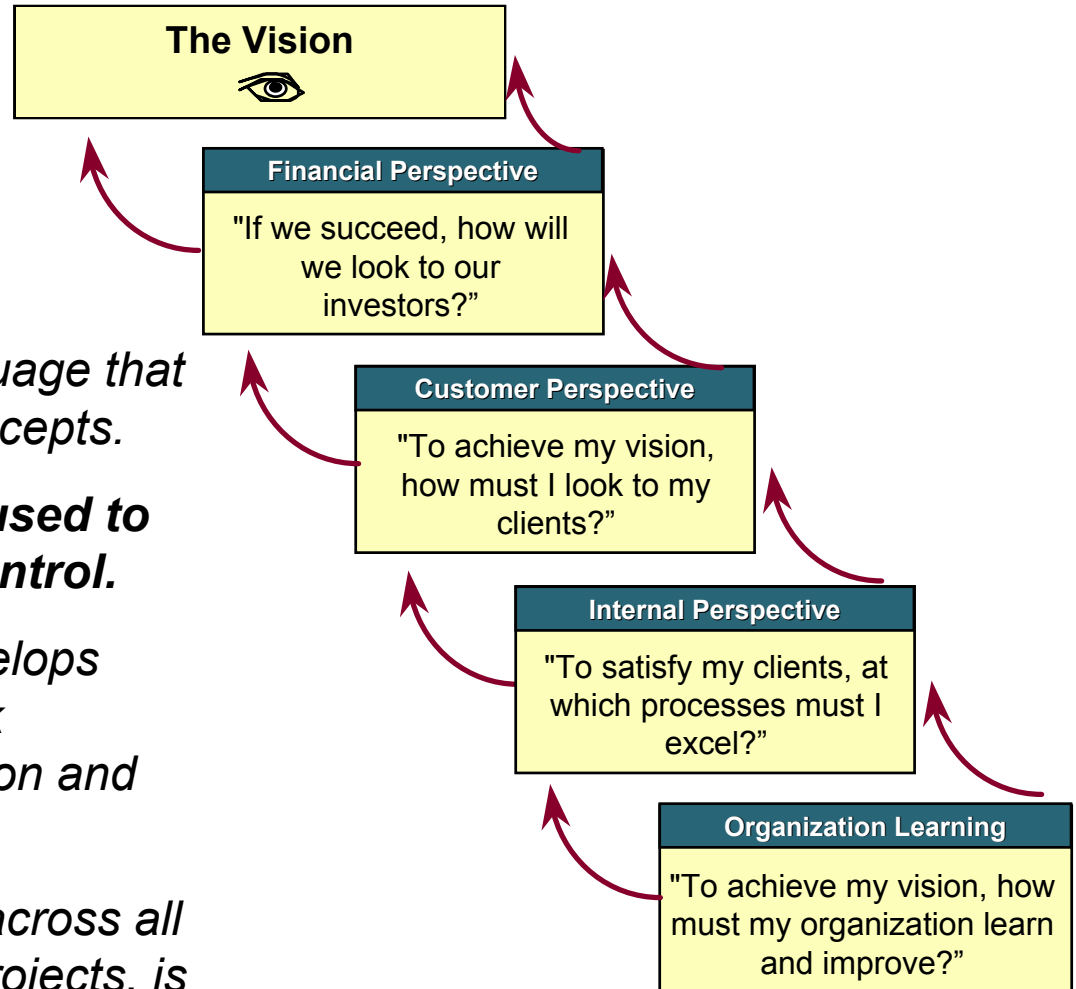
Revised Triangle: Adds “On-Strategy” Dimension



Good People + Good Process + Good Strategy

~~Good People + Good Process~~ = **Extraordinary Results**

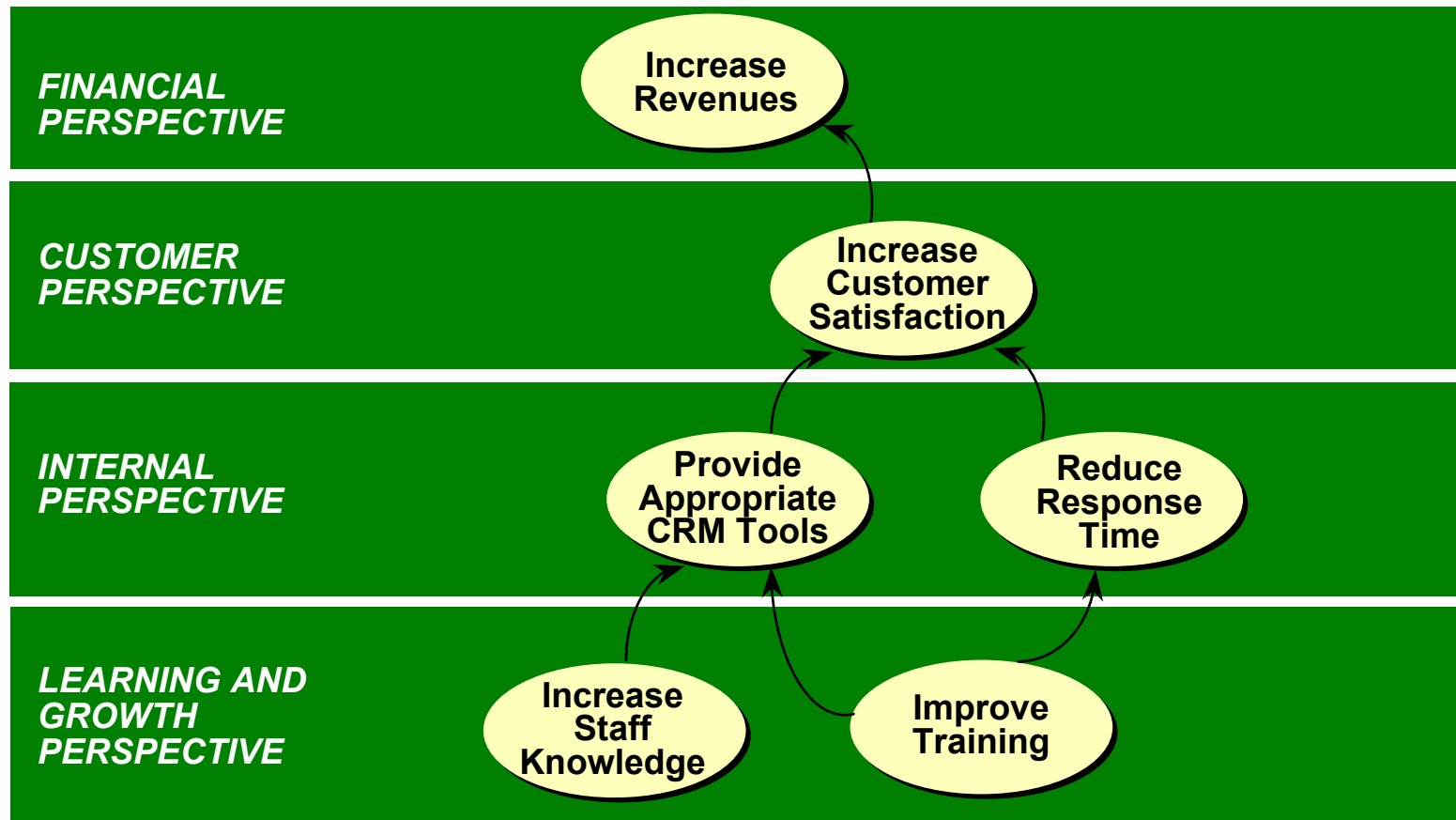
The Balanced Scorecard Provides a Framework to Translate the Vision and Strategy Into Operational Terms



- ❑ *Measurement is the language that gives clarity to vague concepts.*
- ❑ *Measurement must be used to communicate, not to control.*
- ❑ *Building a scorecard develops consensus and teamwork throughout the organization and across strategic projects.*
- ❑ *Balanced measurement across all perspectives, including projects, is fundamental to the methodology's ability to influence results.*

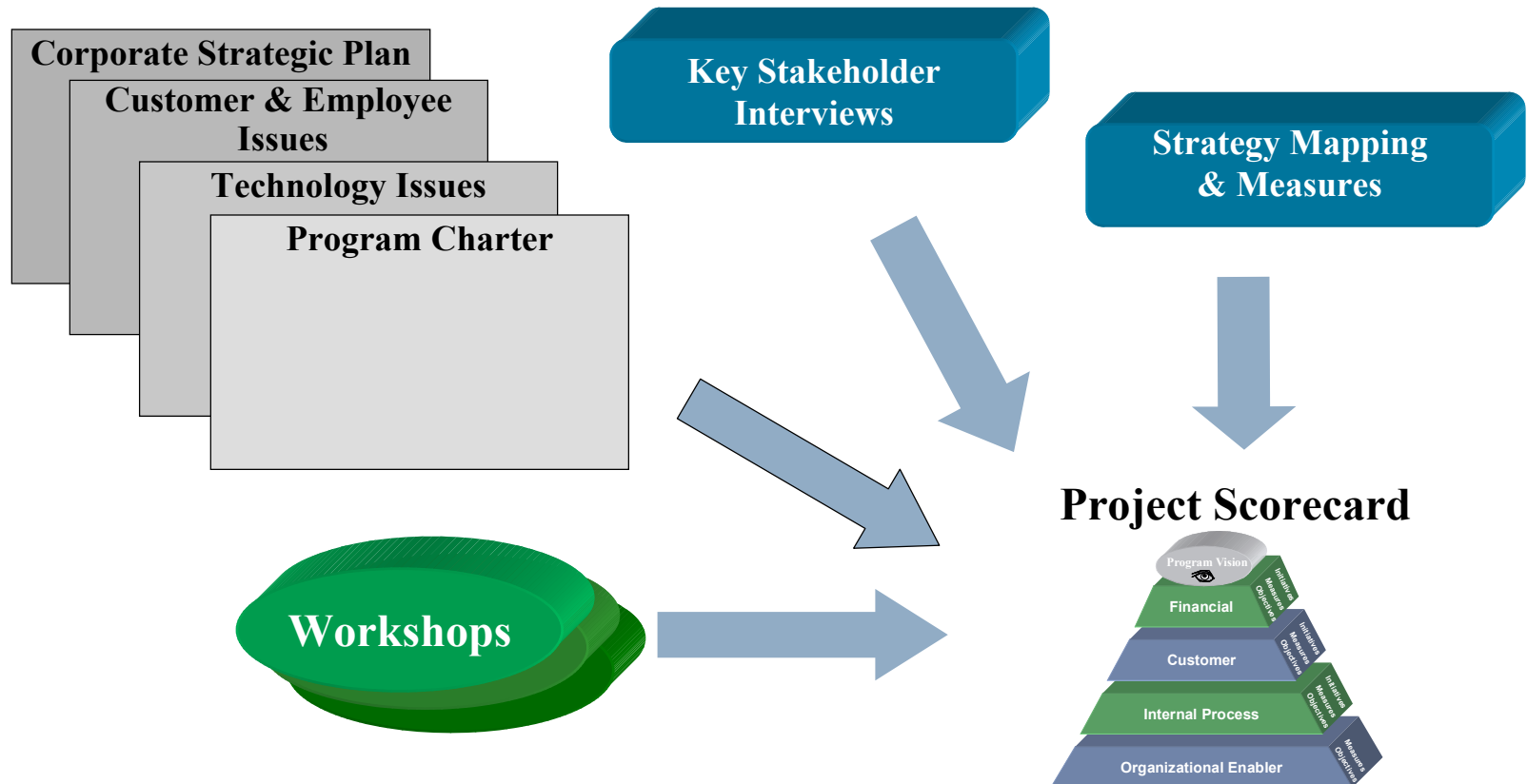
How the BSC Works to Improve Strategy

The Balanced Scorecard methodology captures linkages between objectives and effort across multiple perspectives...



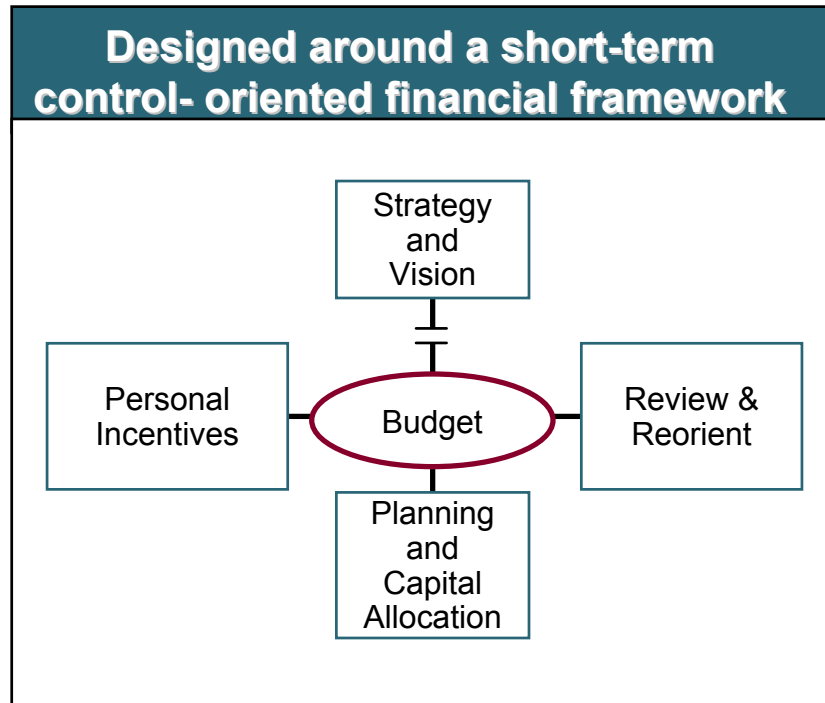
Creating a Project Balanced Scorecard

The methodology of creating a P-BSC assures all key issues and stakeholders are addressed to build support for the program, reduce the risks and assure organization alignment and strategic outcomes.

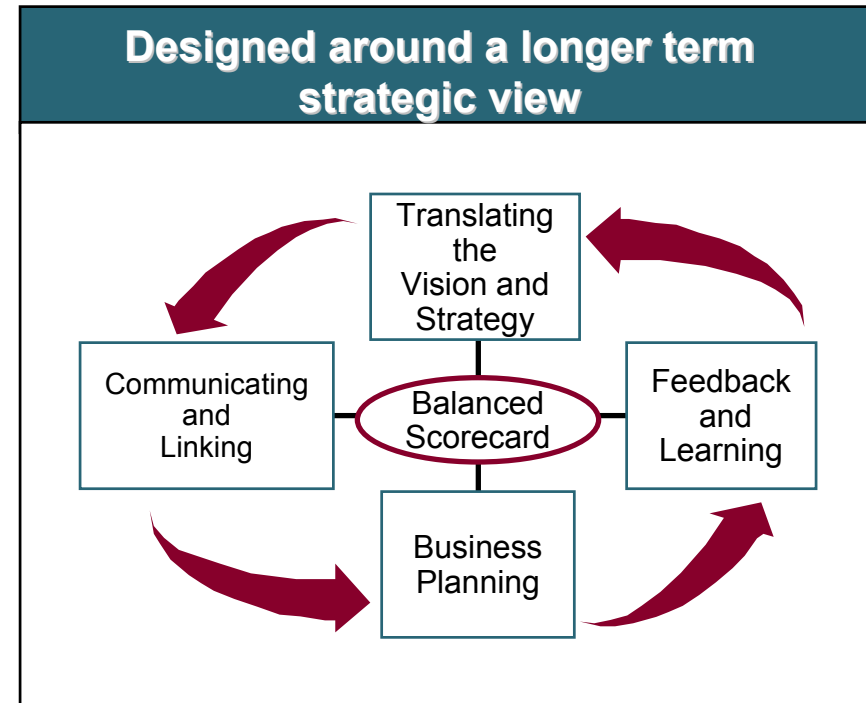


The Balanced Scorecard Approach Changes the Premise Upon Which the Management System Is Based

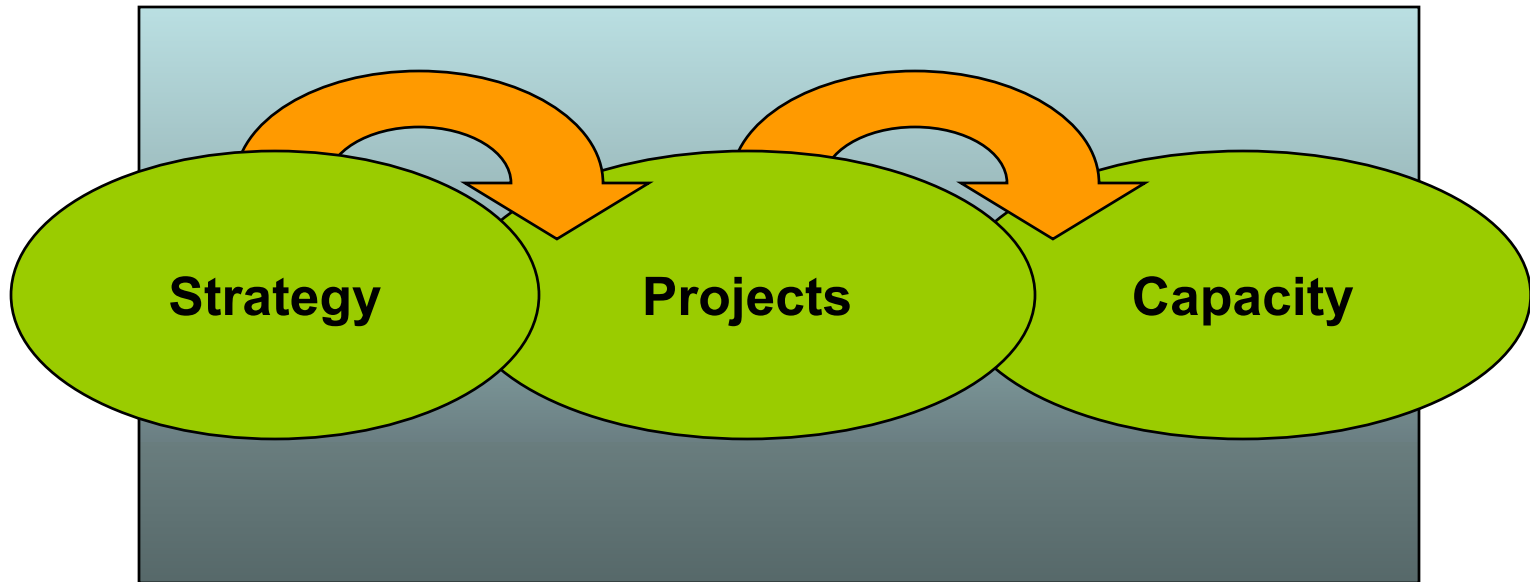
*From a
Management Control System*



*To a
Balanced Management System*



The Optimal 'Order of Operations'



In this instance, the organization determines its strategy, project plans are developed and then capacity planning processes are used to determine resourcing options and alternatives that will accomplish the strategic agenda at optimal cost and efficiency. Capacity is seen as a potentially “limiting factor” in strategy execution but not as a pre-determined constraint (i.e. capacity is treated as a flexible input to strategy development).

DEFINING PROJECT PORTFOLIO MANAGEMENT (PPM)

“The art and science of applying a set of knowledge, skills, tools and techniques to a collection of projects in order to meet or exceed the needs and expectations of an organization’s investment strategy”

- Source: PMI Knowledge Wire, March 2003

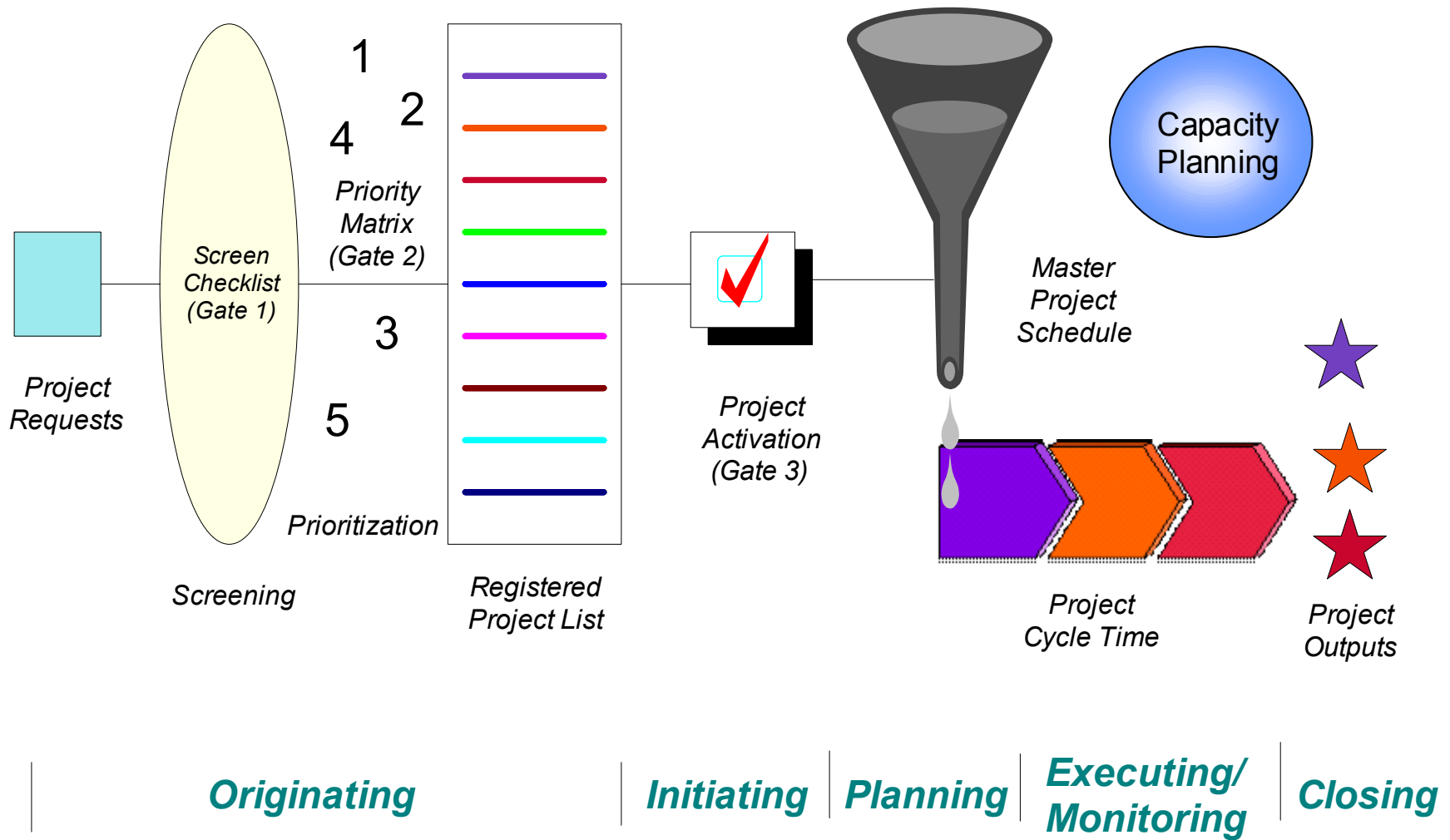
What Drives Your Company/Organization?

A company's processes must be tailored to its business drivers and strategy. There is no "one size fits all" approach. However, there are clear best practices that work for each and that should be incorporated into a company's strategic process design, including business cases and any project management methodologies.

- Speed to Market?
- Quality?
- Cost?
- Service?
- Market Share?
- Technology Advances?
- Product Innovation?
- Customer Intimacy?
- Vertical Expertise?
- Revenue Growth?
- Profits?
- Share Price?

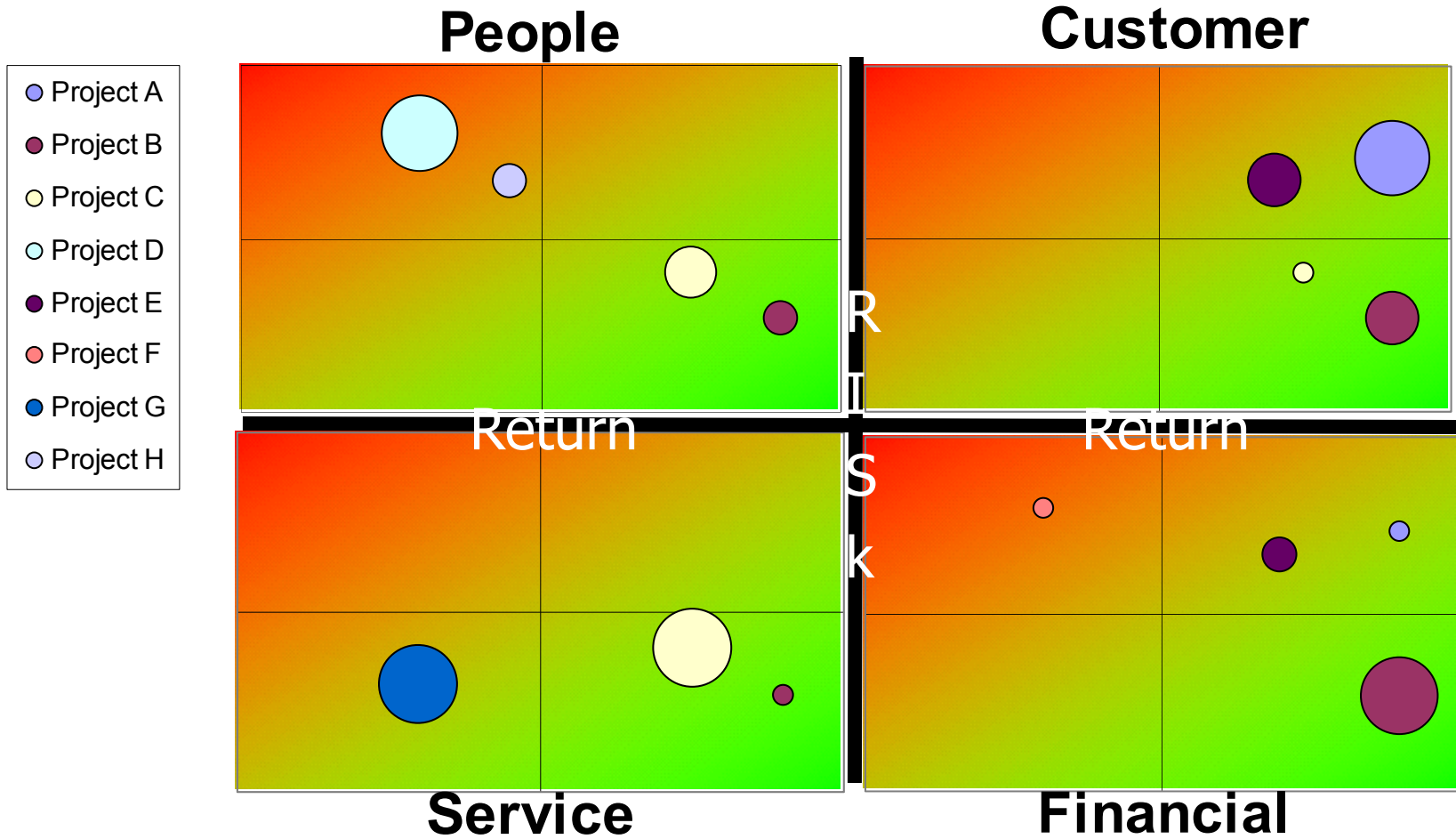
**And Does your project
portfolio management
methodology meet
your organization's strategic needs?**

PROJECT PORTFOLIO MANAGEMENT PROCESS

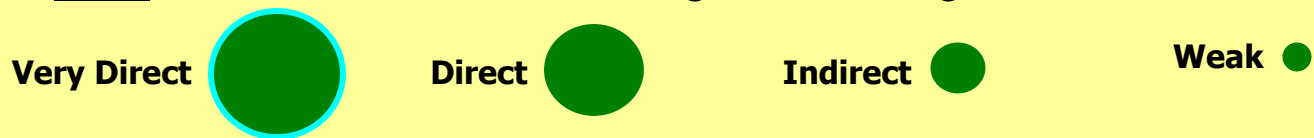


Source: SPM Group, March 5, 2003

PRIORITIZATION MODEL



Size of bubble indicates strength of strategic contribution.



Color of bubble varies by project.

REGISTERED PROJECT LIST

A listing of projects in priority order:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____ ...

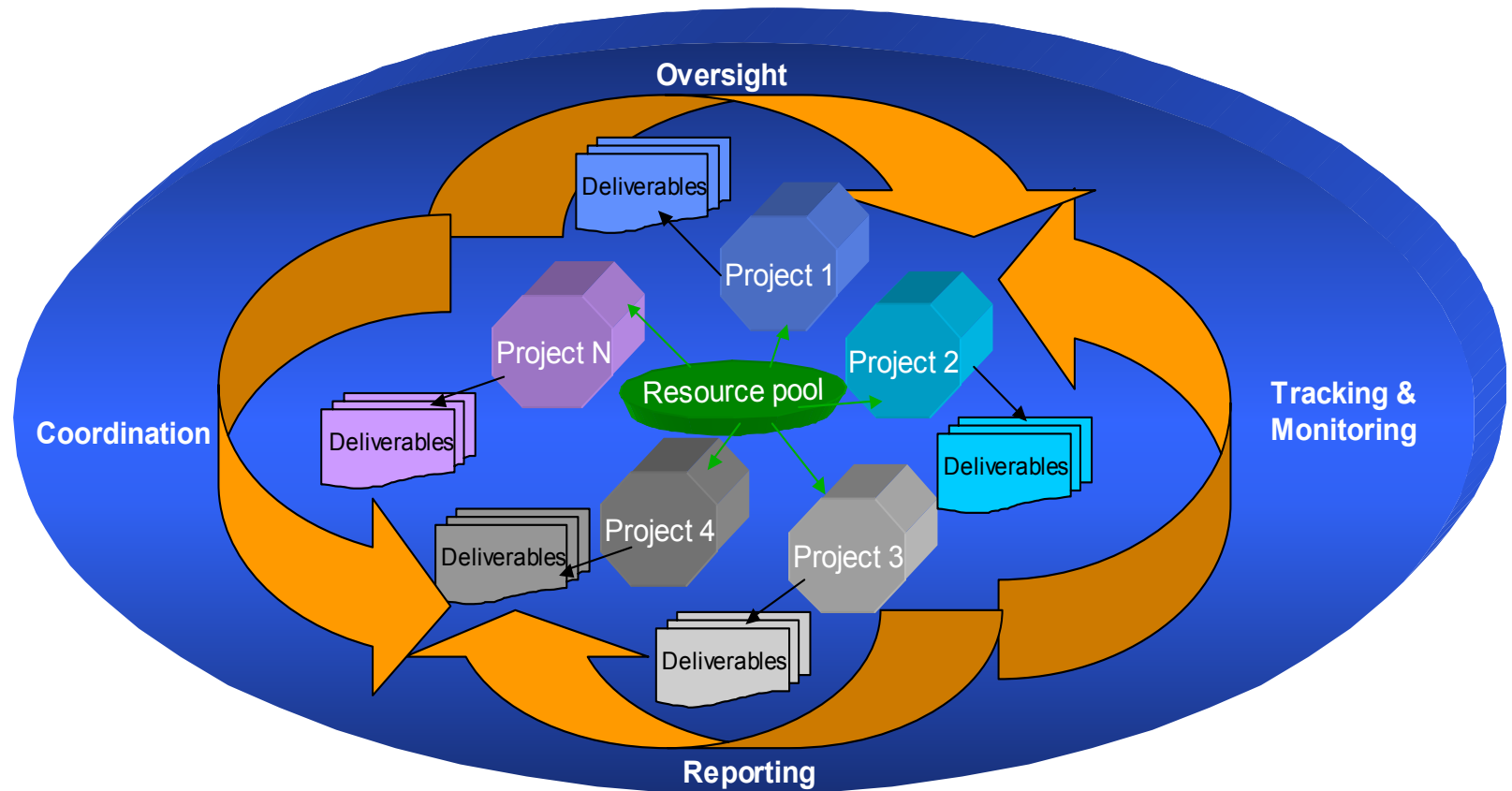
Water
Line

Implementation Case Study



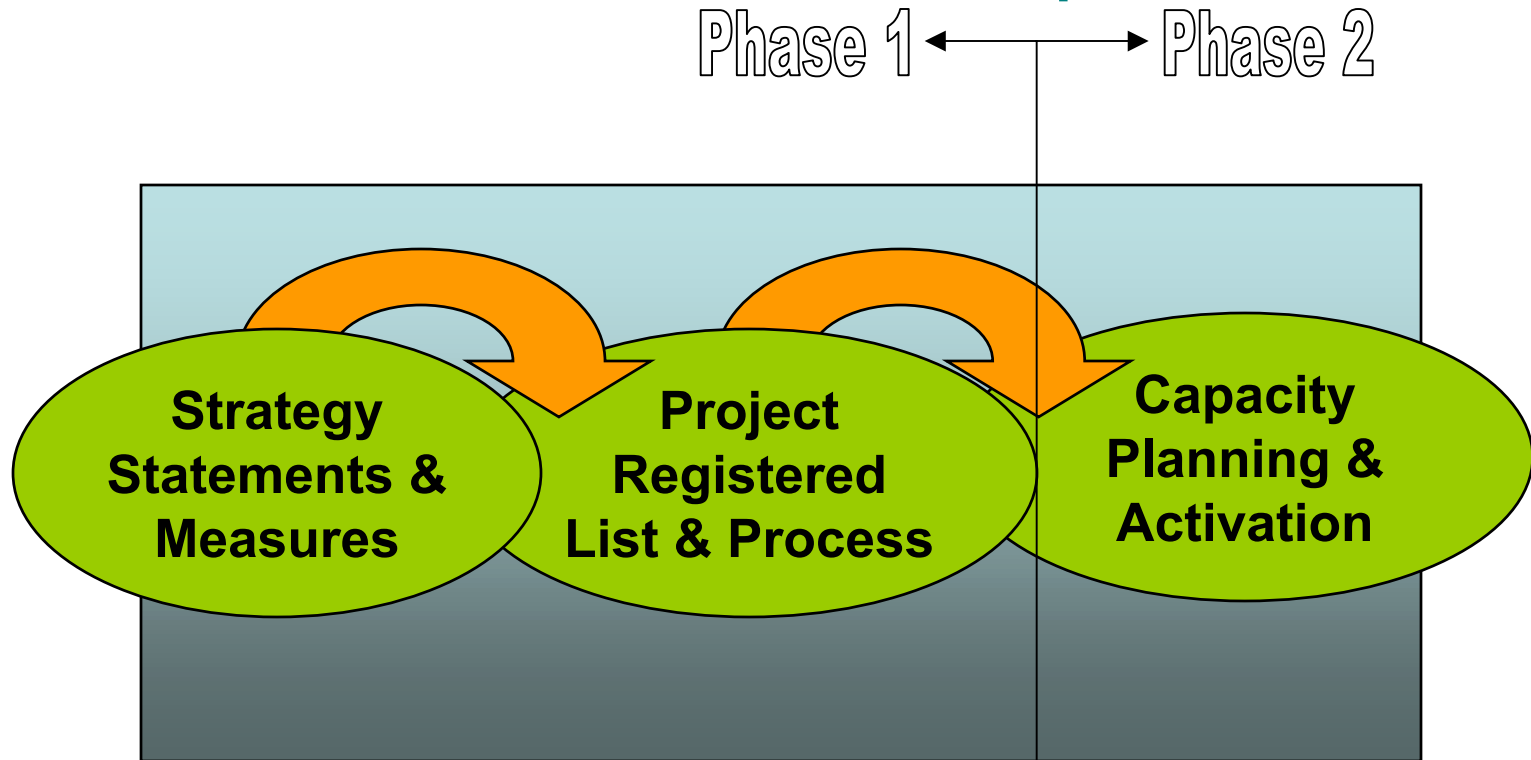
- largest agriculture lending institution in Canada
- approximately \$11B portfolio and 1300 employees nationwide
- considered by its clients to be very customer-oriented
- launch many new products/offerings every year
- considerable emphasis on IT to enable the business (web, etc.)

The First Step was Value-Add of a Centralized PMO Function...



Systematic Execution of Strategic Projects

Next...Design of a Two Phase PPM Process for Immediate Implementation



We are tracking as planned at this point. FCC's internal team is now moving towards the design and implementation of the individual project management methodology, activation and capacity planning processes (including a master project plan), and project reporting templates. PMC is learning to manage the registered list and deal with new project requests. PPM is also being seamlessly integrated into the current IPP and FMCR processes (where appropriate)

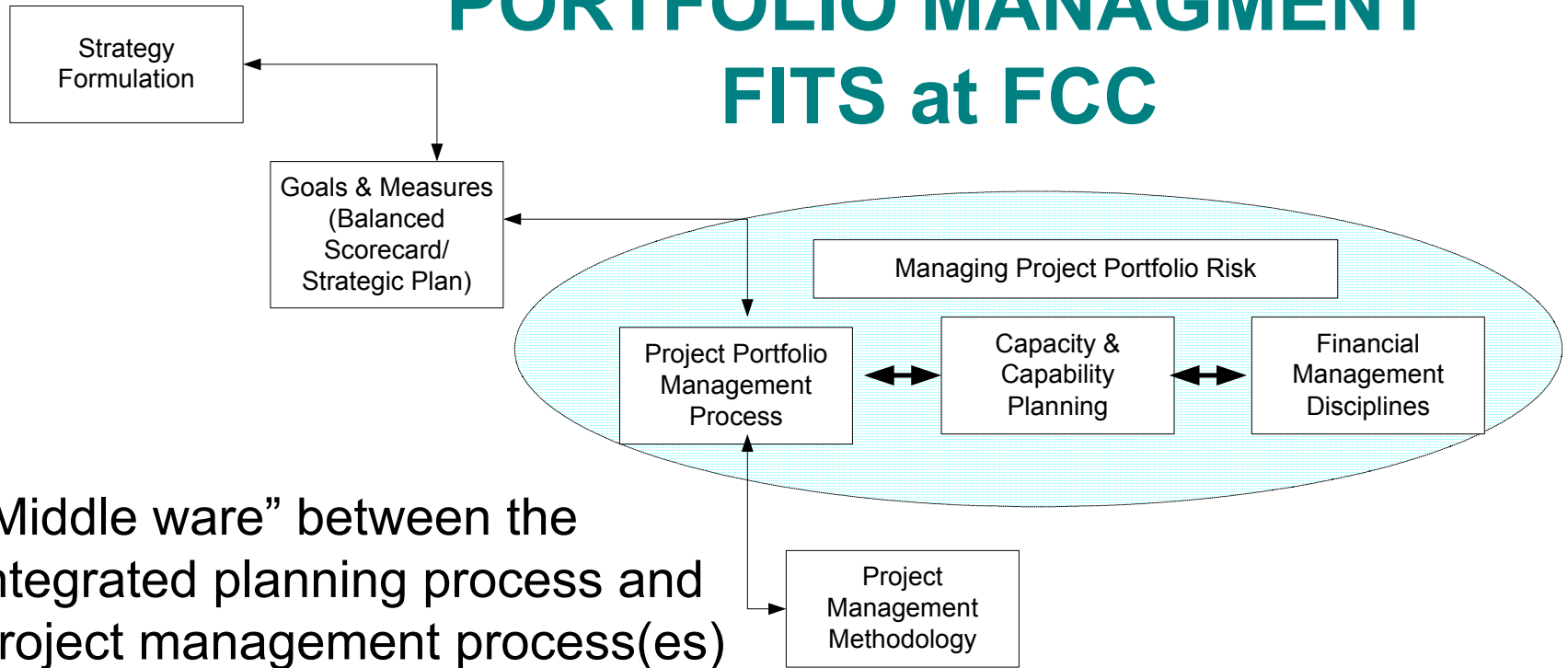
WHAT IS THE BIG DEAL?

Balance!!

Registered Project List (Risk/Reward)	Financial	Customer	Service	People
3. Project A	•		•	
4. Project B		•		
1. Project C	•	•	•	•
2. Project D	•	•		
5. Project E				•

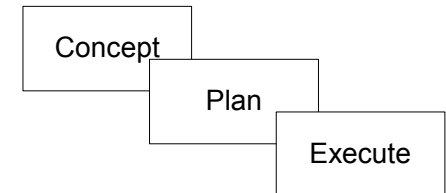
Taking a “balanced” (across all four perspectives of the balanced scorecard) and also “on-strategy” view (risk/reward trade-off’s) into account when setting project priorities and making project activation decisions improves outcomes and enhances strategic results.

HOW PROJECT PORTFOLIO MANAGEMENT FITS at FCC



“Middle ware” between the integrated planning process and project management process(es)

Aligned with capacity/capability planning and financial management disciplines



STAGE 1: PROJECT SUBMISSION



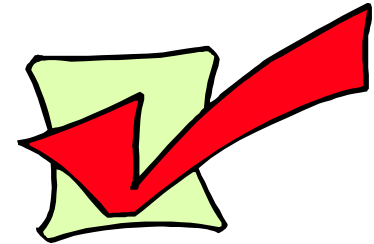
1.

“Doing projects that provide the greatest strategic value to FCC”

PROJECT PORTFOLIO MANAGEMENT

Strategic Fit

Alignment



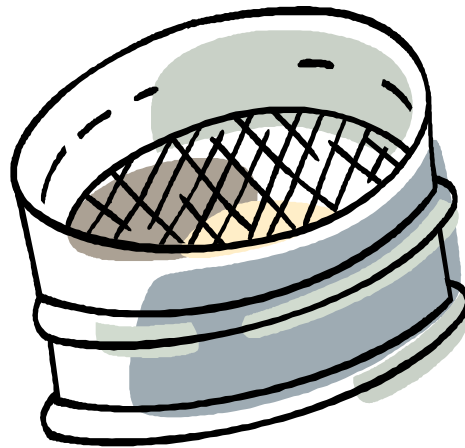
*Making sure your projects are on the
“radar screen”*

MAJOR PROCESS 'PAY-OFFS'

- Enhance strategy execution (more complete information available for decision making)
- Increase probability of attaining the resources required to complete a project successfully
- Reduce project duration
- Implement leading-edge “best practices” in project portfolio management and project management
- Balance portfolio of projects
- Reduce project risk through strategic alignment and integration

STAGE 2: PROJECT SCREENING

2.



“Screening out projects that are not strategically aligned”

PROJECT SCREENING

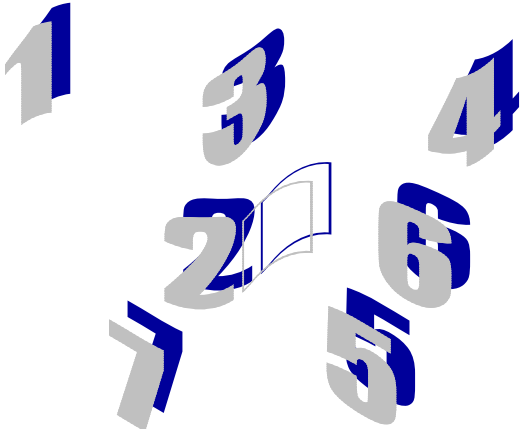
- Alignment with FCC's Vision, Mission and Values
- Linkage to the strategic outcomes in the balanced scorecard:
 - Very Direct
 - Direct
 - Indirect
 - Weak

PROJECT SCREENING

LEGEND Degree of contribution to measures in strategy statements		PROJECT	PEOPLE People Index, Innovation Index, Learning Index	CUSTOMER Customer Loyalty Index, Loan Portfolio, Venture Captial, Management Practices	SERVICE Customer Experience Index, Service Provision Index/Efficiency Ratio	FINANCIAL Return on Equity, Debt-to-equity Ratio, Efficiency Ratio	Total
		Very Direct	25				
Direct	12	Project A		25		2	27
Indirect	5						
Weak	2	Project B	5	12	2	25	44
		Project C	12	2	25		39
		Project D	25				25
		Project E		12		5	17
		Project F				2	2
		Project G			25		25
		Project H	5				5

STAGE 3: PROJECT PRIORITIZATION

3.



PRIORITIZATION MATRIX

Strategy + Return - Risk = Priority Result

(from screening)

With a BALANCED view across all quadrants of the balanced scorecard

PRIORITIZATION MATRIX - RETURN

Project	5 Year NPV		Payback Period		Unique Competitive Advantage		Effort Months (FTE Time x Duration)		Project Duration		Project Budget (cost)		Return
Project A	5		5		5		5		5		5		30
Project B	5		5		5		5		5		5		30
Project C	5		2		5		3		5		3		23
Project D	1		1		1		1		1		1		6
Project E	1		5		3		5		3		5		22
Project F	1		1		1		1		1		1		6
Project G	1		1		1		1		1		1		6
Project H	3		1		1		3		1		3		12
	5 Year NPV		Payback Period		Unique Competitive		Effort Months (FTE Time x		Project Duration		Project Budget (cost)		
	>= \$251K	5	<= 1 year	5	Augments Current	5	<= 6	5	<= 6 months	5	<= \$250K	5	
	> \$0 and <= \$250K	3	> 1year and <= 2years	3	Protects Existing	3	>7 and <= 18	3	>7 and <= 24 months	3	>= \$251K and <= \$1M	3	
	<= \$0	1	> 2 years	1	None	1	> 19	1	> 25 months	1	> \$1M	1	

PRIORITIZATION MATRIX - RISK

Project	Estimate Uncertainty		# of Business Units Involved		# of People Involved		Scarcity of Key Person(s)		External Business Partners involved		Technology		Inter-Dependencies		Uniqueness		Organizational Impact		Risk
Project A	(1)		(5)		(5)		(1)		(5)		(5)		(5)		(5)		(5)		(37)
Project B	(1)		(1)		(1)		(1)		(1)		(1)		(1)		(1)		(1)		(9)
Project C	(1)		(5)		(3)		(1)		(1)		(3)		(1)		(1)		(1)		(17)
Project D	(5)		(5)		(5)		(5)		(5)		(5)		(5)		(5)		(5)		(45)
Project E	(5)		(1)		(5)		(5)		(3)		(3)		(5)		(5)		(5)		(37)
Project F	(5)		(5)		(5)		(5)		(5)		(5)		(5)		(5)		(5)		(45)
Project G	(1)		(1)		(1)		(1)		(1)		(1)		(1)		(3)		(1)		(11)
Project H	(5)		(3)		(5)		(5)		(5)		(5)		(3)		(3)		(3)		(37)
	Estimating Uncertainty		# of Business Units Involved		# of People Involved		Scarcity of Key Person(s)		External Business Partners involved		Technology		Inter-Dependencies		Uniqueness		Organizational Impact		
	26-45%	(5)	>5	(5)	>15	(5)	Scarcity outside FCC	(5)	>one	(5)	involves new systems	(5)	>2 Projects	(5)	- Never been done before	(5)	Core or Enabling Processes	(5)	
	16-25%	(3)	>1 <=4	(3)	>4 <=15	(3)	Scarcity within FCC	(3)	one	(3)	involves major changes to existing	(3)	2 Projects	(3)	Some aspects have never been done	(3)	Impacts 1 or 2 Core or Enabling Processes	(3)	
	5-15%	(1)	1	(1)	<=3	(1)	No Scarcity	(1)	none	(1)	involves existing systems	(1)	1 Project	(1)	Similar to other FCC projects	(1)	Impacts 0 or 1 Core or Enabling	(1)	

STAGE 4: PROJECT REGISTRATION

4.



“Is the project official?”

REGISTERED PROJECT LIST

A listing of projects in priority order:

1. _____

2. _____

3. _____

4. _____

5. _____

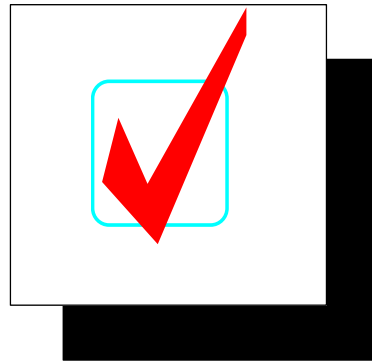
6. _____

7. _____

8. _____ ...

STAGE 5: PROJECT ACTIVATION

5.

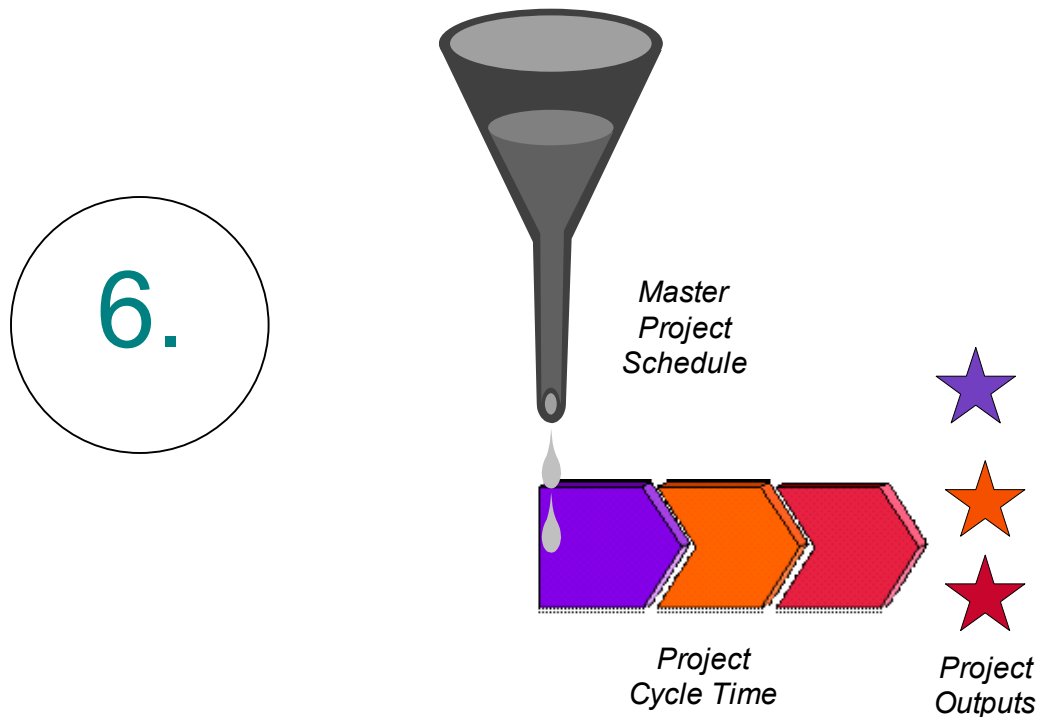


“Do you have authority to spend?”

PROJECT ACTIVATION

- Project activation request and initial project plan to support the approval and allocation of resources to a project
- Links each project to:
 - the master project schedule
 - specific project resources (internal or external)
 - project budget
 - project expense tracker

STAGE 6: PROJECT EXECUTION & COMPLETION



“Execute, monitor, measure and communicate results. Document lessons learned.”

The corporate strategy map contains programs (FCC has 13 today)
 Each program needs objectives & performance measures associated with it.
 E.g. What are the objectives & performance measures for FCC's Leadership & Employee Development Program? For FCC's Strategy Execution Program?

You can't go straight from corporate strategy map measures to project measures. You need the PROGRAM OBJECTIVES in between.

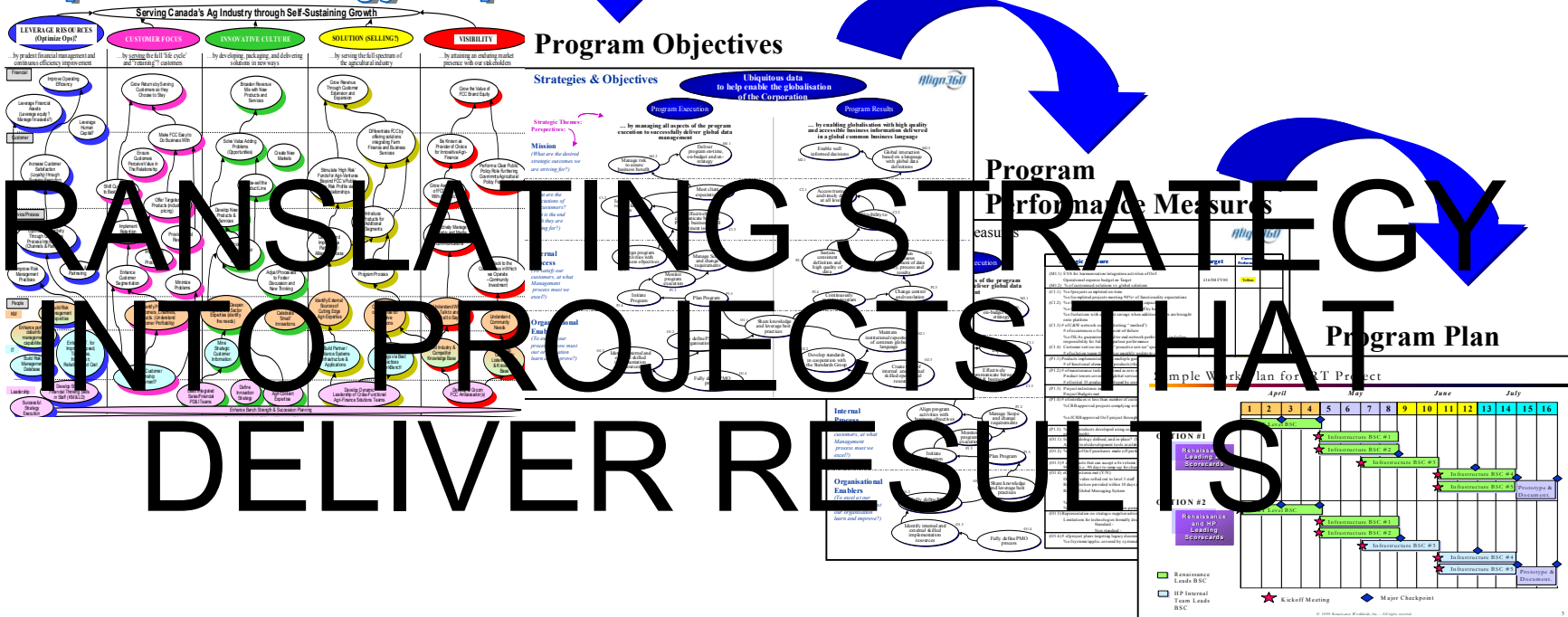
Corporate Strategy Map

Program Objectives

Program Performance Measures

Program Plan

TRANSLATING STRATEGY INTO PROJECTS THAT DELIVER RESULTS



**Questions &
Discussion...**