Using the Balanced Scorecard to Enhance the PPM Methodology

James Norrie, B.Com, M.Ed, M.A.Sc., CHRP, PMP
Director, School of Information & Technology Management
Ryerson University, Toronto, Ontario, Canada
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 VISION Barrier
Strategy is not understood by those who must implement it…and not translated into clear objectives

The PEOPLE Barrier
Personal goals, knowledge building, and competencies are not linked to strategy implementation

The MANAGEMENT Barrier
Management systems are designed for operational control and tied to budgets; not to strategy and projects

The OPERATIONAL Barrier
Key processes and projects are not designed to connect to and leverage the real drivers of your business strategy
The Original “Time-Cost-Quality” Triangle

On-Time

On-Budget

On-Quality

So-Called "Triple Constraint"

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

Sources: Various including PMBOK. PMI Inc.
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

On-Time -> On-Strategy -> On-Budget
On-Strategy -> On-Quality
On-Budget <-> On-Quality

Good People + Good Process + Good Strategy = Extraordinary Results

Source: J. Norrie, Ryerson University, c. 2002
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.**

The Vision

Financial Perspective

"If we succeed, how will we look to our investors?"

Customer Perspective

"To achieve my vision, how must I look to my clients?"

Internal Perspective

"To satisfy my clients, at which processes must I excel?"

Organization Learning

"To achieve my vision, how must my organization learn and improve?"
How the BSC Works to Improve Strategy

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

- **FINANCIAL PERSPECTIVE**
  - Increase Revenues

- **CUSTOMER PERSPECTIVE**
  - Increase Customer Satisfaction
  - Provide Appropriate CRM Tools
  - Reduce Response Time

- **INTERNAL PERSPECTIVE**
  - Increase Staff Knowledge
  - Improve Training

- **LEARNING AND GROWTH PERSPECTIVE**
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

**Designed around a short-term control-oriented financial framework**

- Strategy and Vision
- Budget
- Planning and Capital Allocation
- Personal Incentives
- Review & Reorient

To a Balanced Management System

**Designed around a longer term strategic view**

- Translating the Vision and Strategy
- Communicating and Linking
- Balanced Scorecard
- Business Planning
- Feedback and Learning
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

1. Screen Checklist (Gate 1)
2. Priority Matrix (Gate 2)
3. Registered Project List
4. Project Activation (Gate 3)
5. Project Outputs

Screening

Capacity Planning

Originating
Initiating
Planning
Executing/ Monitoring
Closing

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.)
Mitigating Project Risk Through the P-BSC at FCC...

The methodology and structure of creating and using the Project Balanced Scorecard was designed to assure that any program and all its underlying projects and initiatives remain on strategy with an “early warning” system within FCC for high risk areas that may need senior management attention.
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

Phase 1

- Strategy Statements & Measures
- Project Registered List & Process
- Capacity Planning & Activation

Phase 2

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!!

<table>
<thead>
<tr>
<th>Registered Project List (Risk/Reward)</th>
<th>Financial</th>
<th>Customer</th>
<th>Service</th>
<th>People</th>
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</thead>
<tbody>
<tr>
<td>3. Project A</td>
<td>•</td>
<td></td>
<td>•</td>
<td></td>
</tr>
<tr>
<td>4. Project B</td>
<td></td>
<td>•</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Project C</td>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>2. Project D</td>
<td>•</td>
<td></td>
<td>•</td>
<td></td>
</tr>
<tr>
<td>5. Project E</td>
<td></td>
<td></td>
<td></td>
<td>•</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>LEGEND</th>
<th>Degree of contribution to measures in strategy statements</th>
<th>PROJECT</th>
<th>PEOPLE</th>
<th>CUSTOMER</th>
<th>SERVICE</th>
<th>FINANCIAL</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Customer Loyalty Index, Loan Portfolio, Venture Capital, Management Practices</td>
<td>Customer Experience Index, Service Provision Index/Efficiency Ratio</td>
<td>Return on Equity, Debt-to-equity Ratio, Efficiency Ratio</td>
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</tr>
<tr>
<td>Very Direct</td>
<td>25</td>
<td>Project A</td>
<td>25</td>
<td>2</td>
<td>25</td>
<td>44</td>
<td></td>
</tr>
<tr>
<td>Direct</td>
<td>12</td>
<td>Project B</td>
<td>5</td>
<td>12</td>
<td>2</td>
<td>25</td>
<td>44</td>
</tr>
<tr>
<td>Indirect</td>
<td>5</td>
<td>Project C</td>
<td>12</td>
<td>2</td>
<td>25</td>
<td>39</td>
<td></td>
</tr>
<tr>
<td>Weak</td>
<td>2</td>
<td>Project D</td>
<td>25</td>
<td></td>
<td></td>
<td>25</td>
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<td></td>
<td></td>
<td>Project E</td>
<td>12</td>
<td></td>
<td>5</td>
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<td></td>
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<tr>
<td></td>
<td></td>
<td>Project F</td>
<td></td>
<td></td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Project G</td>
<td></td>
<td></td>
<td>25</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Project H</td>
<td>5</td>
<td></td>
<td></td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

**Legend:**
- **Very Direct:** 25
- **Direct:** 12
- **Indirect:** 5
- **Weak:** 2
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

<table>
<thead>
<tr>
<th>Project</th>
<th>5 Year NPV</th>
<th>Payback Period</th>
<th>Unique Competitive Advantage</th>
<th>Effort Months (FTE Time x Duration)</th>
<th>Project Duration</th>
<th>Project Budget (cost)</th>
<th>Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project A</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
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<td>Project B</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>30</td>
</tr>
<tr>
<td>Project C</td>
<td>5</td>
<td>2</td>
<td>5</td>
<td>3</td>
<td>5</td>
<td>3</td>
<td>23</td>
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<tr>
<td>Project D</td>
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<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Project E</td>
<td>1</td>
<td>5</td>
<td>3</td>
<td>5</td>
<td>3</td>
<td>5</td>
<td>22</td>
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<tr>
<td>Project F</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Project G</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>6</td>
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<tr>
<td>Project H</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>12</td>
</tr>
</tbody>
</table>

### Unique Competitive Advantage

- Augments Current: 5
- Protects Existing: 3
- None: 1

### Payback Period

- <= 1 year: 5
- > 1 year and <= 2 years: 3
- > 2 years: 1

### Effort Months (FTE Time x Duration)

- <= 6 months: 5
- > 6 months: 5
- > 7 and <= 24 months: 3
- > 25 months: 1

### Project Duration

- <= 1 year: 5
- > 1 year and <= 2 years: 3
- > 2 years: 1

### Project Budget (cost)

- <= $250K: 5
- > $250K and <= $251K: 3
- > $251K and <= $1M: 1
- > $1M: 1
## Prioritization Matrix - Risk

### Projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Estimate Uncertainty</th>
<th># of Business Units Involved</th>
<th># of People Involved</th>
<th>Scarcity of Key Person(s)</th>
<th>External Business Partners involved</th>
<th>Technology</th>
<th>Inter-Dependencies</th>
<th>Uniqueness</th>
<th>Organizational Impact</th>
<th>Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project B</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td>Project C</td>
<td>(1)</td>
<td>(5)</td>
<td>(3)</td>
<td>(1)</td>
<td>(1)</td>
<td>(3)</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td>Project G</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td>Project H</td>
<td>(5)</td>
<td>(3)</td>
<td>(5)</td>
<td>(5)</td>
<td>(5)</td>
<td>(5)</td>
<td>(3)</td>
<td>(3)</td>
<td>(3)</td>
<td>(3)</td>
</tr>
</tbody>
</table>

### Scarcity

<table>
<thead>
<tr>
<th>Scarcity</th>
<th>Technology</th>
<th>Inter-Dependencies</th>
<th>Uniqueness</th>
<th>Organizational Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>inside FCC</td>
<td>involves new systems</td>
<td>&gt;2 Projects</td>
<td>Some aspects have never been done</td>
<td>Core or Enabling Processes</td>
</tr>
<tr>
<td>one</td>
<td>involves major changes to existing</td>
<td>2 Projects</td>
<td>Similiar to other FCC projects</td>
<td>Impacts 1 or 2 Core or Enabling Processes</td>
</tr>
<tr>
<td>none</td>
<td>involves existing systems</td>
<td>1 Project</td>
<td></td>
<td>Impacts 0 or 1 Core or Enabling Processes</td>
</tr>
</tbody>
</table>

### Inter-Dependencies

<table>
<thead>
<tr>
<th>Inter-Dependencies</th>
<th>Uniqueness</th>
<th>Organizational Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Never been done before</td>
<td></td>
<td>Core or Enabling Processes</td>
</tr>
<tr>
<td>Some aspects have never been done</td>
<td></td>
<td>Impacts 1 or 2 Core or Enabling Processes</td>
</tr>
<tr>
<td>Similar to other FCC projects</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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

6.

“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.

TRANSLATING STRATEGY INTO PROJECTS THAT DELIVER RESULTS
Questions & Discussion...