

# Using a Balanced Scorecard for Project Portfolio Management



**RefineM** PROJECT  
MANAGEMENT  
CONSULTING

**NK Shrivastava, PMP, RMP, ACP, CSP, SPC4**  
Lead Instructor/ CEO / Agile Coach—RefineM

[www.RefineM.com](http://www.RefineM.com)

# Agenda

1. What is a Balanced Scorecard?
2. More on BSC (Why's & How's)
3. Strategically aligned portfolio
4. More fine tuning of the portfolio
5. The Game / Quiz 😊
6. Q & A



## RefineM

Helping organizations turn their project management capability into a *competitive advantage*



CEO/Consultant since Dec 2011

- \* Agile Transformation/Coaching/Adoption
  - ✓ Agile Coach @ IBM
- \* Project Management/ Process Improvement Consulting and Training
- \* Products for Project Professionals
  - ✓ Essential Gear for Project Managers
  - ✓ PMP Exam Simulator
  - ✓ PMP Videos at Vimeo

### My professional journey b/f RefineM

20+ years of Successful Project Leadership

- \* Led 100s of projects of all sizes, successfully
- \* Recovered many projects, saved millions of \$
- \* Implemented numerous process improvements
- \* Coached/mentored 100s of PMs, and executives
- \* Board Member – SWMO PMI Chapter (2008-2014)

# What's New at RefineM



RefineM PROJECT  
MANAGEMENT  
CONSULTING

[www.RefineM.com](http://www.RefineM.com)

# What's New at RefineM

## \* Upcoming Free Webinars

Webinar Title	Date
Retrospectives	Sept 6
Wireframes for UI / Design	Oct 4

## \* New Training and Outreach

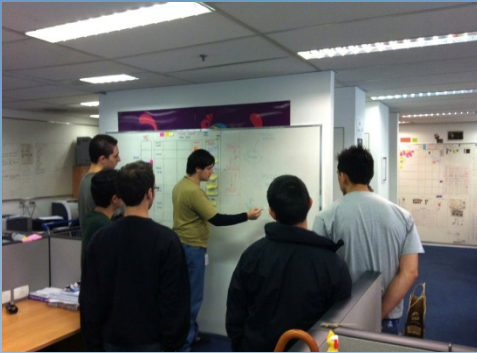
- ✓ New class – First Steps Toward Agility
- ✓ New workshop – Lean/Agile Process Improvement Workshop  
*(Achieve 15-40% efficiency improvements in 4-8 weeks)*
- ✓ New live PMP video chat sessions every Saturday, 9-10 AM Central

## \* PMP Exam Prep Test Simulator

- ✓ <https://Examprep.RefineM.com>

## \* PMP Videos at <https://vimeo.com/ondemand/refinempmpexamprep>

# Balanced Scorecard



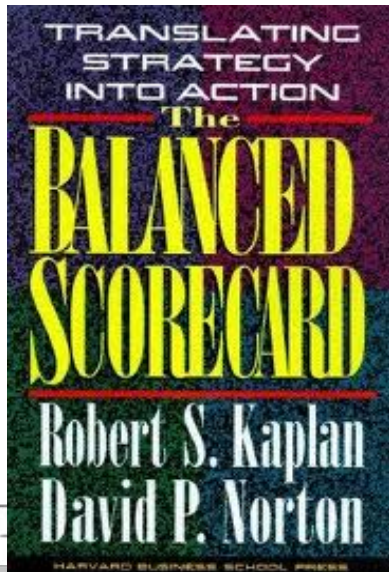
- What is a Balanced Scorecard?
- More on BSC (Why's & How's)
- Strategically aligned portfolio
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- The Game / Quiz 😊
- Q & A

# Background

- \* Darkness = Simple
- \* Enlightenment = Thorny path
- \* Early MDIs = Financials
- \* MDI → Balanced Scorecard
- \* In mid 1990's



Dr. Robert S Kaplan  
Dr. David P Norton



- \* Published their 1st book in 1996
- \* It was a ground-breaking moment in the history of management
- \* 4000+ books on BSC @ Amazon, now

MDI – Metric-Driven Incentives

# What is a Balanced Scorecard?

- \* A strategic planning and management system used to align business activities to the vision statement of an organization.

More cynically, and in some cases realistically,

- \* A Balanced Scorecard attempts to translate the sometimes vague, pious hopes of a company's vision/mission statement into the practicalities of managing the business better at every level.



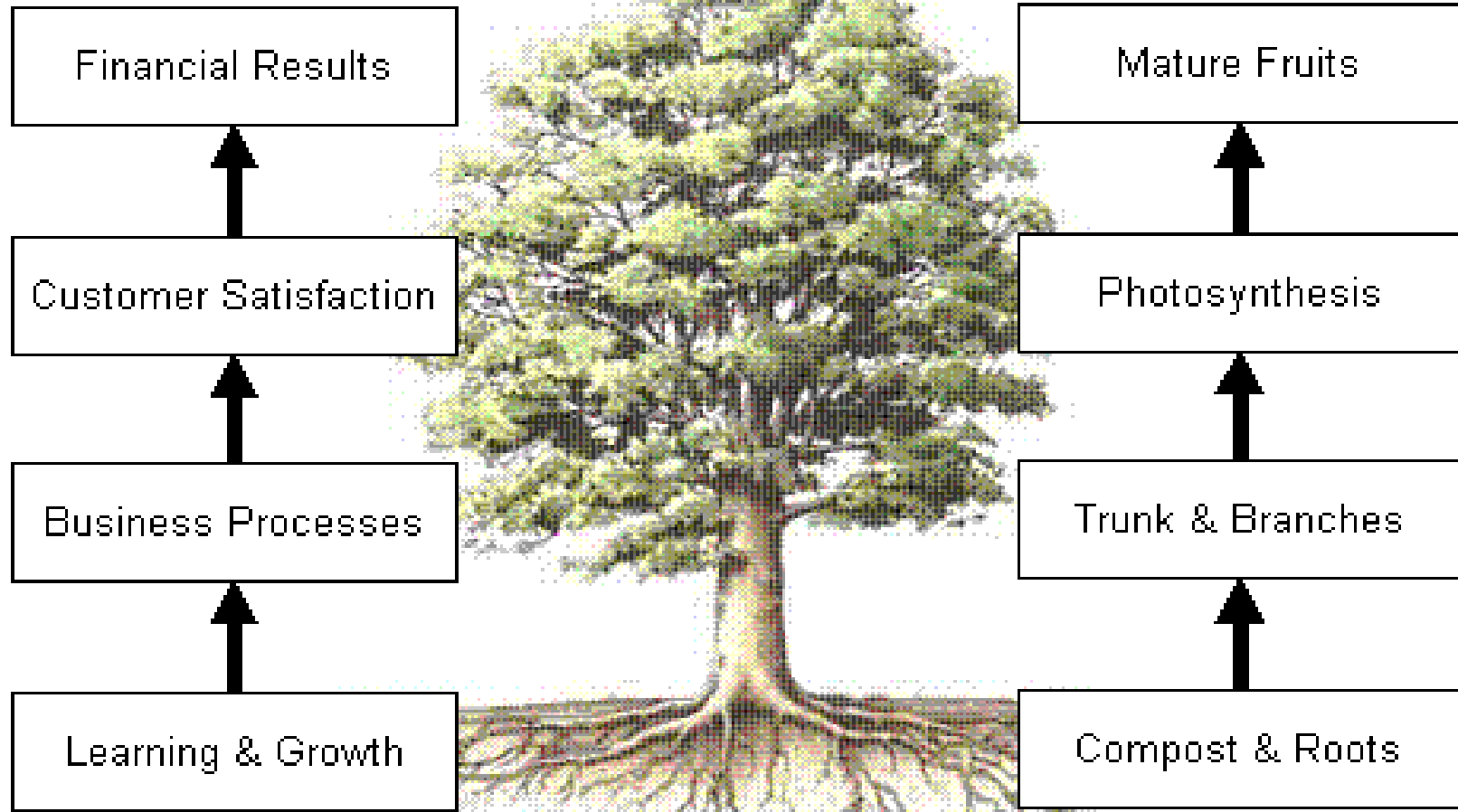
# The Four Aspects Of A BSC



# More on Balanced Scorecard?

- \* The **Balanced Scorecard** technique is the most effective way to implement a strategy.
  - ✓ *Whether objective is to create a business or improve an existing one.*
- \* Most **business plans** focus on a target, setting objectives on **Financial Results** and **Customer Satisfaction**.
  - ✓ *But the way to reach them is not so clear.*
- \* Working on **internal perspectives**, and setting related objectives on **Processes & learning & growth** for people, is mandatory
  - ✓ *If you want your strategic plan to be something more than a beautiful PowerPoint file.*

# More on the Four Aspects of a BSC



# Is That What the Fathers of BSC say?

- Customer Satisfaction
- Business Processes
- Learning & Growth

In addition to the Financial perspective



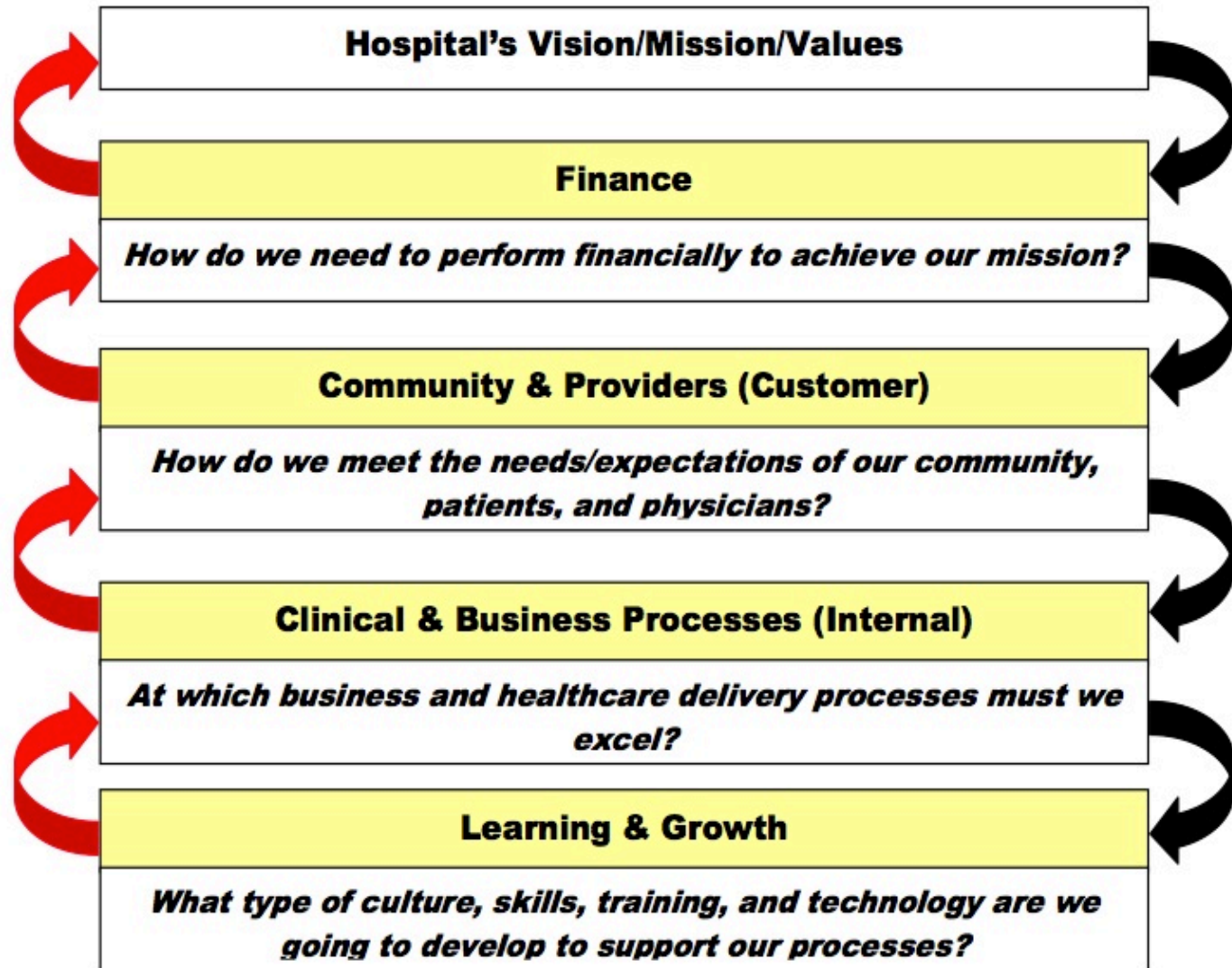
# What Do the Fathers of BSC say?

- Customer Satisfaction
- Business Processes
- Learning & Growth

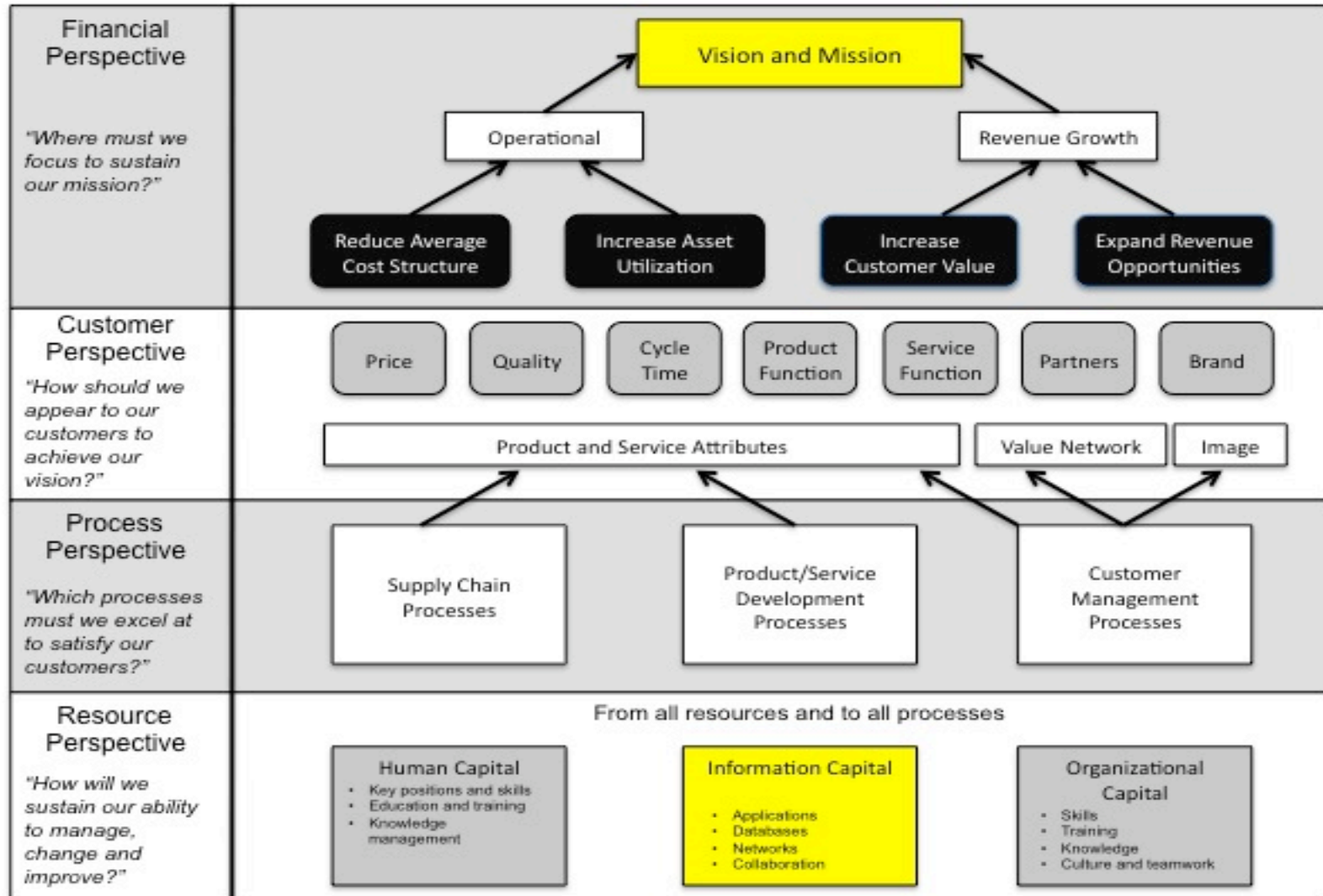
In addition to the **Financial perspective**



# Implementing Strategy thru BSC – Example



# Building a Strategy Map



# FBI Strategic Framework: Detailed Strategy Map



American Public Expectations

**A1 - "Protect US from terrorist and foreign intelligence activity"**

**A2 - "Combat criminal activity that threatens the safety and security of society"**

**A3 - "Preserve civil liberties"**

**A4 - "Provide leadership, intelligence, and law enforcement assistance to our partners"**

Internal Process

**Management Excellence**

P1 - Streamline administrative and operational processes

P2 - Assign responsibility and own accountability

P3 - Maximize organizational collaboration

**Deter, Detect and Disrupt National Security Threats and Criminal Activity**

P5 - Collect intelligence against requirements and gaps

P4 - Understand the threats in our domain

P7 - Expand information access and sharing internally and externally

P6 - Analyze intelligence and integrate it into investigations

**Maximize Partnerships**

P8 - Expand partner relationships

P9 - Enhance international operations

P10 - Enhance trust and confidence in the FBI

P11 - Incorporate forecasting and planning into FBI processes

P12 - Improve internal communications

Talent, Teamwork & Technology

**Maximize Workforce Success**

T1 - Improve recruiting, selection, hiring and retention

T2 - Train and develop skills and abilities of our workforce

T3 - Link skills and competencies to needs

T4 - Identify, develop and retain leaders throughout our organization

T5 - Enhance work environment to facilitate mission

**Leverage Technology and Science**

T6 - Align technology and science to our strategic objectives

T7 - Deploy technology and science to make our workforce more effective and efficient

Resource

**Optimize Resources**

R1 - Utilize and align existing resources and assets in an efficient manner

R2 - Secure and align appropriate resources



# An Example of a Balanced Scorecard

Simplified Strategy Map	Performance Measures	Targets	Initiatives
<p>Financial</p>	<ul style="list-style-type: none"> <li>• Market value</li> <li>• Seat Revenue</li> <li>• Plane lease cost</li> </ul>	<ul style="list-style-type: none"> <li>• 25% per year</li> <li>• 20% per year</li> <li>• 5% per year</li> </ul>	<ul style="list-style-type: none"> <li>• Optimize routes</li> <li>• Standardize planes</li> </ul>
<p>Customer</p>	<ul style="list-style-type: none"> <li>• FAA on-time arrival</li> <li>• Customer ranking</li> <li>• No of customers</li> </ul>	<ul style="list-style-type: none"> <li>• First in Industry</li> <li>• 98% satisfaction</li> <li>• % change</li> </ul>	<ul style="list-style-type: none"> <li>• Quality management</li> <li>• Customer loyalty</li> </ul>
<p>Internal</p>	<ul style="list-style-type: none"> <li>• On ground time</li> <li>• On time departure</li> </ul>	<ul style="list-style-type: none"> <li>• &lt; 25 minutes</li> <li>• 93%</li> </ul>	<ul style="list-style-type: none"> <li>• Cycle time optimization program</li> </ul>
<p>Learning</p>	<ul style="list-style-type: none"> <li>• % ground crew stock holders</li> <li>• % ground crew trained</li> </ul>	<ul style="list-style-type: none"> <li>• Yr 1: 70%</li> <li>• Yr 4: 90%</li> <li>• Yr 6: 100%</li> </ul>	<ul style="list-style-type: none"> <li>• Stock ownership plan</li> <li>• Ground crew training</li> </ul>

**Figure 2: Simplified strategy map of a low-cost airline.**

Adapted from [Balancedscorecard.org](http://Balancedscorecard.org)

# My Experience With BSC

- \* Got exposed to BSC sometime in 2005.
- \* Started using extensively since 2009, when my company did their first formal strategic planning.
- \* Used BSC to map organizational strategy and push it down to the departmental level.
- \* Used it for project prioritization.
- \* Now provide consulting on BSC and strategic planning.



# Why Strategic Alignment?

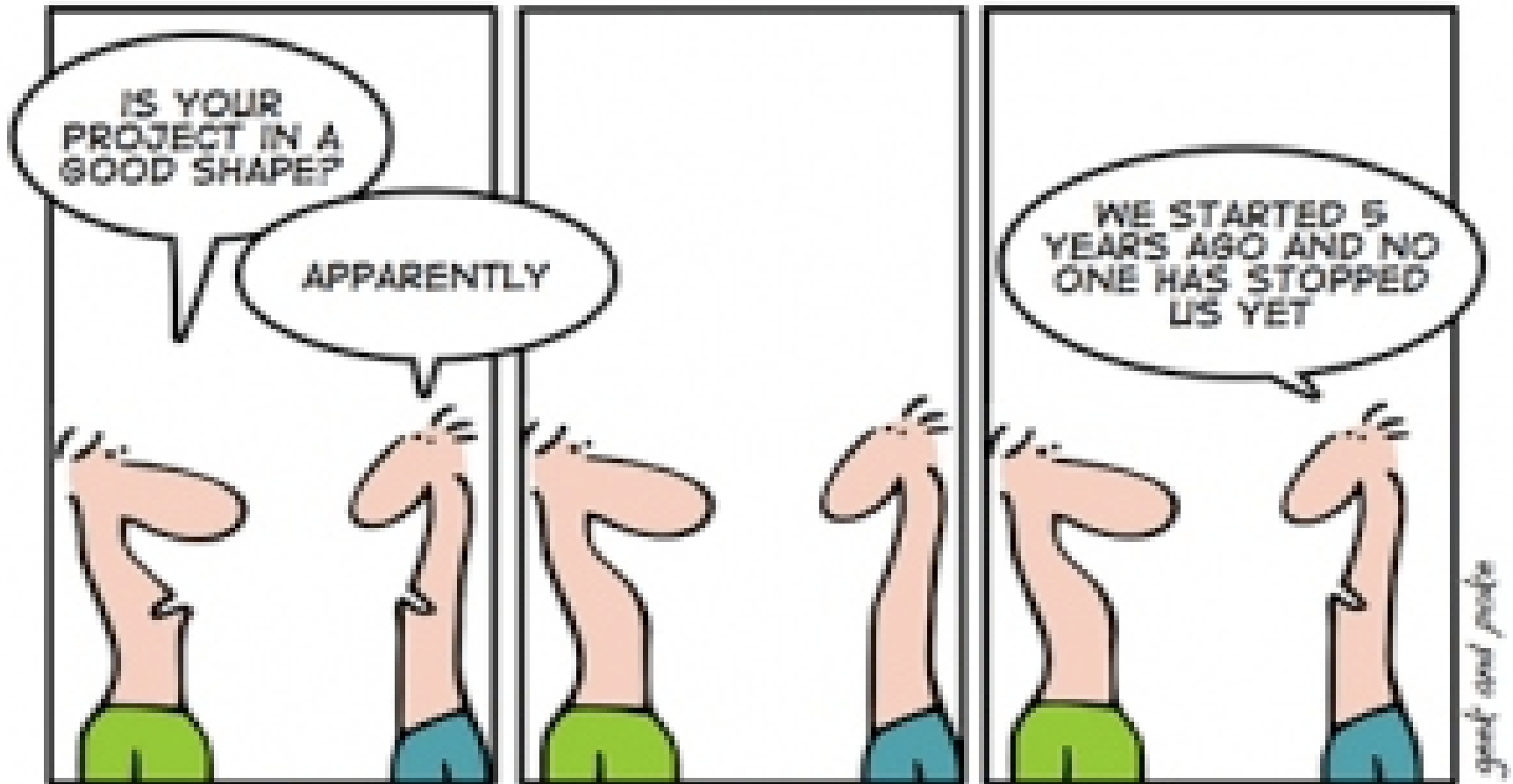
- \* Does it matter if your project is on-time and within budget but the company doesn't need it?
- \* Do you know that in most cases the intended strategic outcomes planned for a project are not fully achieved?
- \* If you face limited resources, how do you pick projects that will have the most strategic impact?



# Aligning Programs/Initiatives to Strategic Objectives

<p><i>Instructions: List all strategic objectives for each perspective in the Balanced Scorecard. Plot any program that helps achieve a strategic objective.</i></p>	Programs	Global Market Program	Leadership Building	Quality Control Review	IT Complaint Tracking	Prod Yield System	Asian Production Plant	Customer Management	Knowledge System	Community Awareness	Employee Rotation	Enterprise Planning
Strategic Objectives												
F1: Maximum Return on Equity												
F2: Positive Economic Value Added												
F3: 15% Revenue Growth												
F4: 5% Reduction in Production Cost												
C1: Secure 1% market share in Asia												
C2: Obtain competitive pricing												
C3: Develop new market partnerships												
C4: Integrate service process w/customer												
P1: Improve production workflows												
P2: Flawless manufacturing												
P3: Expand knowledge distribution												
P4: Integrate financial / production												
P5: Link processes to customer inputs												
L1: Engage workforce into the business												
L2: Expand leadership capacities												
L3: Become a customer driven culture												

# Why Strategic Alignment? One more reason...



*ONE YEAR IN A IT PROJECT - DAY 19*

# Aligning Project Portfolio to the Company Strategy



# Project Vs. Portfolio Management?



Doing Projects **RIGHT**



Doing **RIGHT** Projects

# Scoring based on the 4 aspects of BSC

1. Develop a scoring system that covers all 4 aspects
2. Score every project on each aspect of the BSC
3. Calculate the total alignment score for each project
4. Rank the projects based on their total alignment score



# Scoring based on the 4 aspects of BSC

Project Id	Financial	Customer	Internal	L&G	Alignment Score	Strategic Alignment
1	8	10	8	10	9	H
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						

# Scoring based on the 4 aspects of BSC

Project Id	Financial	Customer	Internal	L&G	Alignment Score	Strategic Alignment
1	8	10	8	10	9	H
2	6	3	5	10	6	L
3	7	2	3	10	6	L
4	2	10	10	10	8	H
5	1	7	4	7	5	L
6	9	9	10	8	9	H
7	10	10	9	4	8	H
8	3	4	3	5	4	L
9	4	3	6	6	5	L
10	1	6	10	9	7	H
11	8	8	10	3	7	H
12	3	9	3	7	6	L
13	9	2	2	8	5	L
14	10	3	10	9	8	H
15	10	8	6	10	9	H
16	8	5	8	6	7	H
17	8	6	9	7	8	H
18	6	4	10	10	8	H
19	9	7	6	8	8	H
20	10	4	4	10	7	H

# Scoring based on the 4 aspects of BSC

Project Id	Financial	Customer	Internal	L&G	Alignment Score	Strategic Alignment
1	8	10	8	10	9	H
2	6	3	5	10	6	L
3	7	2	3	10	6	L
4	2	10	10	10	8	H
5	1	7	4	7	5	L
6	9	9	10	8	9	H
7	10	10	9	4	8	H
8	3	4	3	5	4	L
9	4	3	6	6	5	L
10	1	6	10	9	7	H
11	8	8	10	3	7	H
12	3	9	3	7	6	L
13	9	2	2	8	5	L
14	10	3	10	9	8	H
15	10	8	6	10	9	H
16	8	5	8	6	7	H
17	8	6	9	7	8	H
18	6	4	10	10	8	H
19	9	7	6	8	8	H
20	10	4	4	10	7	H

# Scoring based on the 4 aspects of BSC - Weighted

Project Id	40%	30%	15%	15%	Alignment Score	Strategic Alignment
	Financial	Customer	Internal	L&G		
1	8	10	8	10	9	H
2	6	3	5	10	6	L
3	7	2	3	10	5	L
4	2	10	10	10	7	H
5	1	7	4	7	4	L
6	9	9	10	8	9	H
7	10	10	9	4	9	H
8	3	4	3	5	4	L
9	4	3	6	6	4	L
10	1	6	10	9	5	L
11	8	8	10	3	8	H
12	3	9	3	7	5	L
13	9	2	2	8	6	L
14	10	3	10	9	8	H
15	10	8	6	10	9	H
16	8	5	8	6	7	H
17	8	6	9	7	7	H
18	6	4	10	10	7	H
19	9	7	6	8	8	H
20	10	4	4	10	7	H

# Can the Portfolio Be Refined Some More?

What are the other factors that need to be considered, in addition to strategic alignment?

- **Risks**

*How much risky the project is?*

- **Project Size**

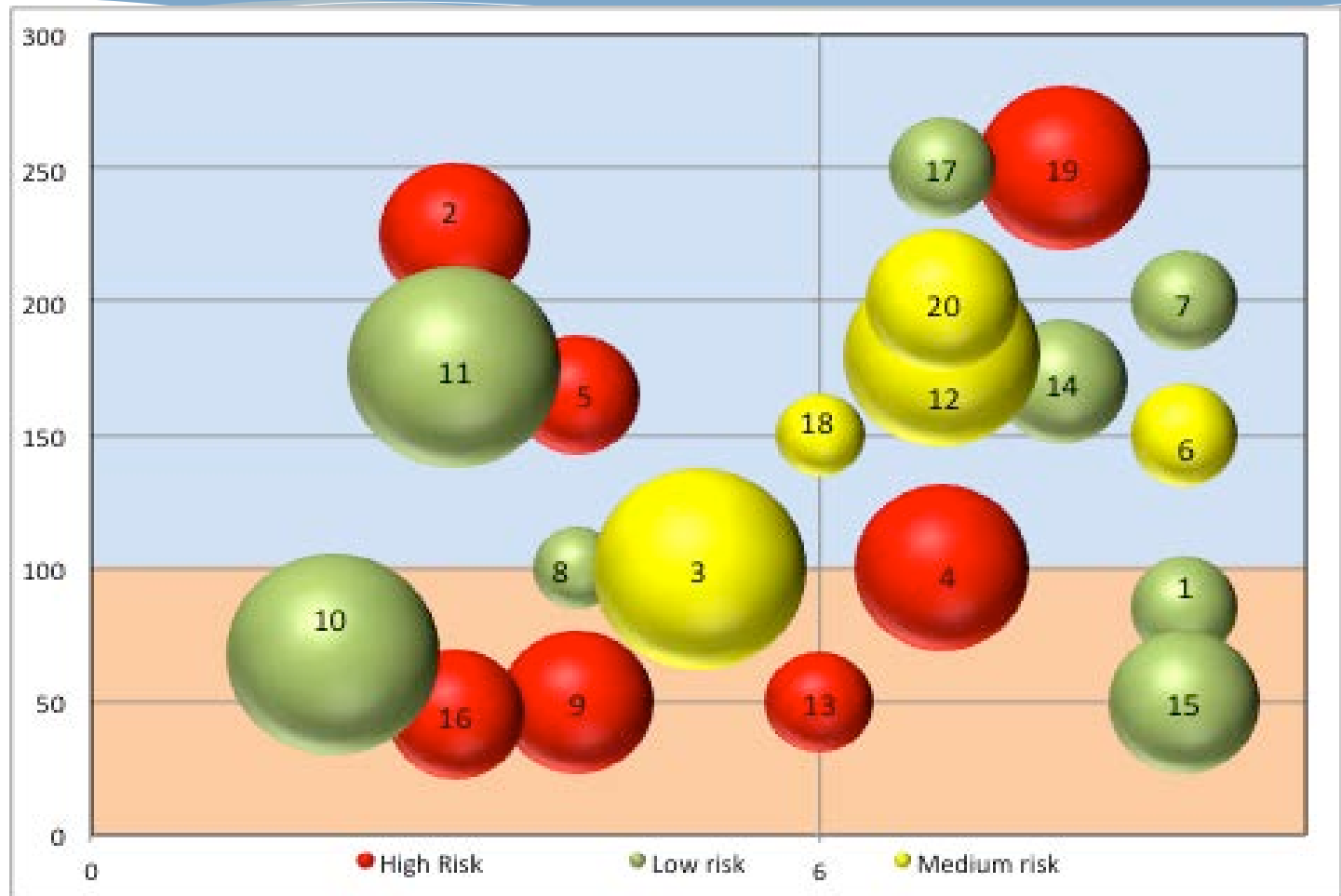
*How much time will it take to complete the project and what will it cost?*

- **Return on Investment**

*Will it generate a small or big ROI?*

# More Portfolio Refinements

Return on Investment (ROI) ↑ High  
Low



Strategic Alignment Low → High

Size of the circle ~ Project Size; Big Circle ~ Big Project

# Quiz Time ...



- \* Who is Dr. Kaplan? The guy on the left or the one on the right?
  - ✓ On the left.
  
- \* Which among the four aspects of BSC is most important? Why?
  - ✓ People are most important to develop because they serve the clients and drive finances – Agree? Disagree?
  
- \* Will you develop a strategy map before the balanced scorecard or vice versa?
  - ✓ Start with the strategy map, then KPIs and balanced scorecard.
  
- \* Have you seen your company's balanced scorecard? How many strategic objectives are being tracked?

# Summary

- \* A Balanced Scorecard (BSC) is a strategic planning and management tool to align business activities to the company vision.
- \* It was developed by Drs. Kaplan & Norton in 1996.
- \* PMOs can use BSC to align their portfolios to the company strategy
- \* Project portfolios can further be optimized by considering factors such as risks, project size and ROI



**Would you do a project if your company doesn't need it?**



# Questions?



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**NK Shrivastava, MBA, PMP, RMP, ACP, CSP, SPC4**

**CEO/Consultant, RefineM**

Nixa, MO 65714, USA

[nks@refinem.com](mailto:nks@refinem.com), [www.refinem.com](http://www.refinem.com)

 <http://www.linkedin.com/in/nkshrivastava>

 [justrightpm](https://twitter.com/justrightpm)