

## **A Balanced Scorecard Overview From a Portfolio, Programme and Project Perspective**

*By Iain Fraser*

### **A Portfolio and Programme Management Perspective on the Use and Potential of a Balanced Scorecard Approach to Project-Based Initiatives**

#### **The Problem:**

First we need to have some understanding of problems that many organisations are facing. The following is a sample of what executives and others are facing:

*“Strategies most often fail because they aren’t executed well”* - Execution.

*“Less than 10% of strategies effectively formulated are effectively executed”* - Fortune.

*“Project portfolio and programme activity is not aligned to operational strategies or plans”* - Project Plus.

*“68% of projects attempted were either challenged or failed.”* - Standish Group

Typically traditional management and project tools are:

- ❖ created by different business units,
- ❖ reviewed by different managers,
- ❖ reviewed in different time frames,
- ❖ have little or no interconnection to each other.

Often the problem stems from poor linkages of the Strategic Plan with regards to:

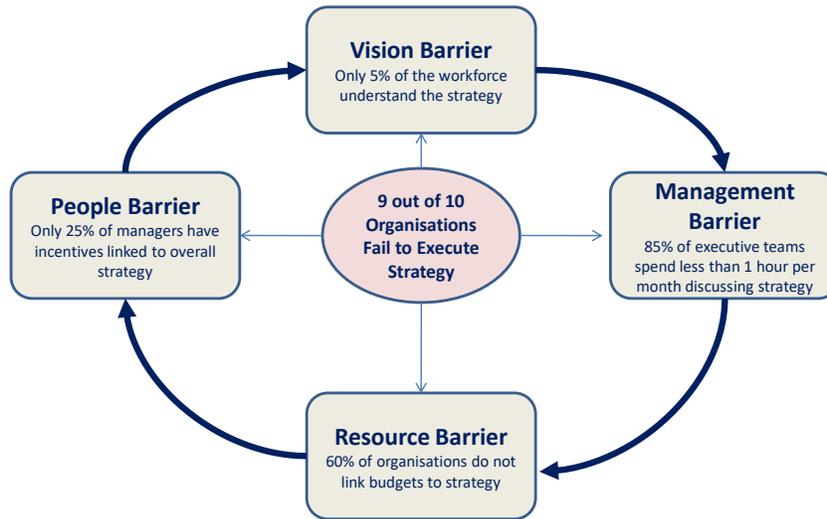
- operations and expected financial and non-financial results – the strategies are not „actionable“,
- business unit teams and individual goals,
- long-term and short-term resource allocation, and
- lack of clear portfolio definition and programme management planning.

Feedback is typically tactical, focusing on financial reporting and the result is poor execution of strategy and lack of benefits realisation.

**Barriers to Strategy Execution:**

Compounding the problem and the lack of linkages to strategy are four barriers to strategy execution:

**Barriers to Success**



Source: Balanced Scorecard Collaborative

From this it could be suggested that many organisations have a superficial approach to multi-levels of planning, execution and reporting.

**The Balanced Scorecard Solution:**

In summary the Balanced Scorecard (BSC) takes four perspectives or themes and breaks those down, in much the same way as a work breakdown structure does of scope, to determine objectives, measures and targets. From this comes a series of initiatives (projects) that together provide the linkages and thereby assisting in breaking down the barriers. It is a “multi-dimensional framework for describing, implementing and managing strategy at all levels of an enterprise by linking objectives, initiatives and measures to an organisations strategy.” (Kaplan & Norton 1996)

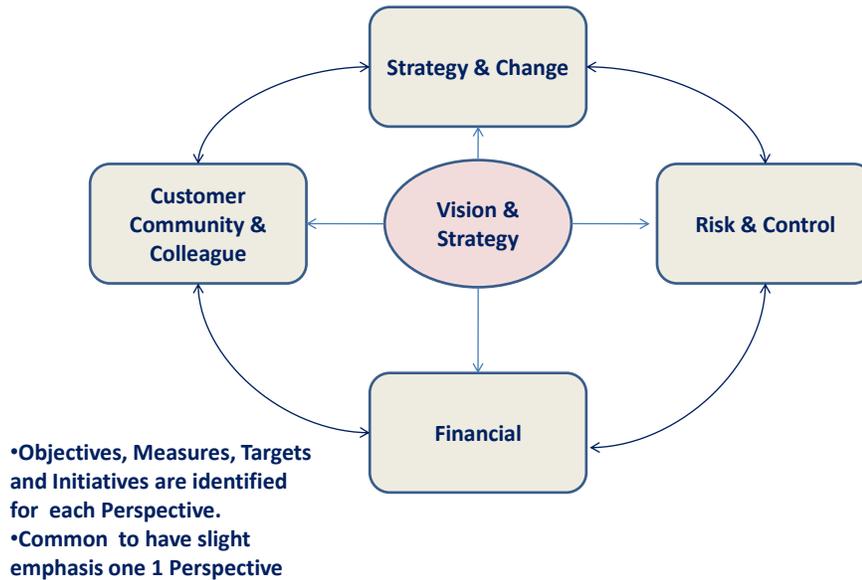
Originated by Drs Kaplan and Norton (Harvard Business School) as a performance measurement framework that added strategic non-financial performance measures to traditional financial metrics to provide managers a more „balanced“ view of organisational performance.

The BSC is a strategic planning and management system (not only a measurement system) that helps organisations translate strategy into operational objectives that drive both behaviour and performance.

In our view the organisational objectives can be viewed as programmes of work, the measures and targets as benefits and the initiatives as projects. Overall a BSC could be seen as a single organisational portfolio of work or perhaps a group of portfolios i.e. a portfolio for each strategic theme.

The BSC converts strategy into an integrated system defined across four business perspectives:

## Using a Balanced Scorecard Approach (Four Common Perspectives)



The four perspectives capture the idea of „Balanced“ in the BSC by focusing not just the results of the organisations efforts (e.g. financial results) but also on the customer, internal business processes together with learning and growth activities that drive success. The BSC is not a “flavour of the month” programme. It is a comprehensive system that enables an organisation to make sense of the existing initiatives and to

channel them towards a defined strategic destination. To us it's an example of strategic alignment that links project-based activity back to the core strategy of the organisation.

In a study by Bain & Company ("Management Tools and Techniques, May 2001), the BSC ranked amongst the highest of all management tools used today for both overall satisfaction and ability to be used for organisation integration.

The use of cause and effect is the main differentiator between the BSC and other approaches to organisational measurement. Without the logical cause and effect linkages, you simply have a "bucket of measures".

### The Benefits:

The effects of BSC on an organisation are generally agreed to consist of:

- **Focus:** BSC focuses the organisation on the longer term strategy. Generally this shift moves the organisation from a short-term management control system to a strategic management system.
- **Alignment:** By creating BSC's at lower levels of the organisation, such as Strategic Business Units, and by tying the BSC to the performance system for teams and individuals, an organisation can gain a "line of sight" on its strategy. This alignment ensures that the day-to-day actions of all employees become linked to the strategy.
- **Learning:** The BSC enables an effective strategic management process to link operational learning with strategic learning. The strategic learning loop gives you the ability to continually test your strategy. With a BSC you basically measure two things:
  1. Strategic Learning Loop – Are you doing the right things?
  2. Operational Control Loop – Are you doing things right?

The above should sound quite familiar to those used to portfolio, programme management approaches. The ability to get portfolios or programmes of work directly linked to the strategy allows a longer-term viewpoint to be gained that also considers and perhaps optimises prioritisation of initiatives and capacity of the organisation to get stuff done.

Additional portfolio, programme and project benefits would consist of:

- Portfolios of work are aligned and balanced to strategy i.e. are the Themes.

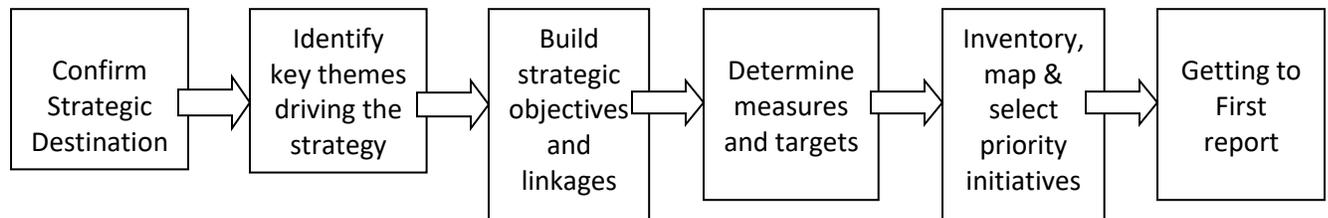
- Approvals of portfolios and programmes are better linked and understood i.e. the Objectives.
- Business Benefit Realisation (BBR) is defined at a higher level i.e. at the programme level.
- Optimisation of assets including human resources is improved and becomes balanced.
- Prioritisation of project initiatives is improved.

Status reporting should also improve in that classic metrics associated with initiatives being executed in a project manner are collated, benefits measured and confirmed and those then compared to KPI"s at the programme level via a dashboard before finally being compared against CSF"s at the portfolio level or strategic theme level.

### The Balanced Scorecard Process Steps:

Although this model looks linear it is a naturally iterative process due to progressive feedback loops. Typically, development and deployment of a BSC takes 8 to 12 weeks. However, many factors can affect the planned direction of a BSC establishment project such as:

- The level of support from your organisation and leadership;
- Organisation size/complexity;
- Availability of required data; and
- Availability of stakeholder time.



#### Step 1 – Confirm Strategic Destination/Direction

Assessment of your mission and vision, challenges, enablers and values to confirm/define the strategic destination.

#### Step 2 – Identify Key Themes (Perspectives) Driving the Strategy

Elements of your strategy, including strategic results, strategic goals and perspectives are identified and developed.

#### Step 3 – Build Strategic Objectives & Linkages

The strategic objectives which are the basic building blocks of your strategy and define your Strategic Intent are identified and built. In addition the cause and effect linkages between the Strategic Objectives are formalised in a Strategy Map which shows how you execute value for your customers and stakeholders.

#### **Step 4 – Determine Measures and Targets**

Performance measures are developed for each of the strategic objectives. Lead and Lag measures are identified, expected Targets and Thresholds are established and Baseline and Benchmarking data is developed.

#### **Step 5 – Inventory Map & Select Initiatives**

Strategic Initiatives are identified/developed that underpin the strategic objectives. By mapping key organisational initiatives to objectives management can then:

- Assess the appropriateness or “fit” of objectives with the strategy
- Rebalance, fill “gaps” and rationalise Initiatives to better support the strategy.
- Allocate resources to those Initiatives that best support the achievement of the strategy.

#### **Step 6 – Getting to the Initial Report**

Here the implementation process begins by applying performance measurement software to get the right performance information to the right people at the right time. Automation adds structure and discipline to the BSC system and helps transform data into information and knowledge.

Following Step 6 an evaluation of the complete BSC should be done. Assessment should include:

- Are the strategies working?
- Are we measuring the right things?
- Has the environment changed?
- Are we using our funding strategically?

*“What gets measured gets managed. What gets managed gets done. You can’t manage what you can’t measure. You can’t measure what you can’t describe”. (Peter Drucker)*

#### **Viewpoint:**

The BSC and its implementation has often been criticised as being too cumbersome and not appropriate for smaller sized entities. However, a more flexible approach can and should be taken that has less objectives and therefore less measures and targets to give a ‘lite’ version of a BSC.

From a change perspective a 'lite' version is more likely to be successful via buy-in and therefore sustainable. This will lead to greater and longer lasting organisational performance.

Our opinion is that too many organisations use a dashboard of consolidated project data together with detailed financial information as a BSC substitute. While useful, this only provides a 2-dimensional and limited view and therefore an unbalanced perspective. Executives and board members should demand additional information that's balanced (4-dimensional) for improved governance and better informed decision making.

The close compatibility between BSC and portfolio management lends itself well to further adoption by organisations that are seeking more mature contributions from their existing Project or Programme Management Offices. Enterprise Portfolio or Programme Offices (EPMO) can provide a very useful contribution by working closely with finance, those involved in strategy planning and others as required to provide a central collation and analyse service to the entire organisation. Ownership of the BSC can also be within the EPMO but only if the leadership and staff have the maturity, capability and vision that are required to operate effectively at a portfolio level, and possibly depending on specific relevance, at the programme level.

### **Role for Consultants**

Specialists in portfolio, programme and project-management can assist in a number of areas related to the linking of strategy to portfolios, and the creation of linked programmes complete with benefits realisation integration as well as project definition.

The following represent a set of possible roles for consultants in this area:

1. Assist and/or facilitate the creation of a Strategy Map comprising the Strategic Themes and Strategic Objectives that are linked through cause and effect relationships across the four BSC perspectives,
2. Identify the appropriate Measures (lead and lag) and Targets; and ensure they are clearly linked to the Strategic Objectives,
3. Ensure that the Initiatives contribute to the achievement of the Strategic Objectives over time.
4. Assist in change management and leadership associated with a BSC implementation,
5. Provide expert input into programmes and project initiatives and the determination of capability levels.

## About the Author



### ***Iain Fraser***

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**Iain Fraser** PMP, PMI Fellow, Fellow PMINZ is globally recognised for his expertise, experience and in-sights on project-based management approaches. He is Group CEO of Project Plus Limited, a management consulting organisation that focuses on the provision of project -based management services across many industry sectors and delivered globally. Iain is a Past Chair of the PMI Board of Directors and served 6 years on the global board. He holds the Project Management Professional (PMP®) credential and was recently awarded a PMI Fellow status in recognition of his significant contributions to the global project management profession and to PMI. He has over 30 years programme and project experience gained from a variety of sectors and countries. Examples range from giant oil & gas developments, telecommunication infrastructure, power infrastructure, organisation change through to government. Mr. Fraser also sits on a number of 'for-profit' and advisory boards. He is a member of the GlobalScot business network and is listed as a notable person in the International Who's Who of Professionals. He is considered a 'thought-leader' by his peers, has featured on live radio, video and podcasts and is frequently quoted in the print media. Iain remains a sought-after speaker for key business and other forums around the world.

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