

# Strategic Alignment thru Balanced Scorecard (BSC)



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Refine**M** PROJECT  
MANAGEMENT  
CONSULTING

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

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# 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



## About RefineM

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Refine**M**

Is a Project Management Consulting Company.

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Its mission is to help organizations turn their  
project management capability into a  
competitive advantage.

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For more details visit

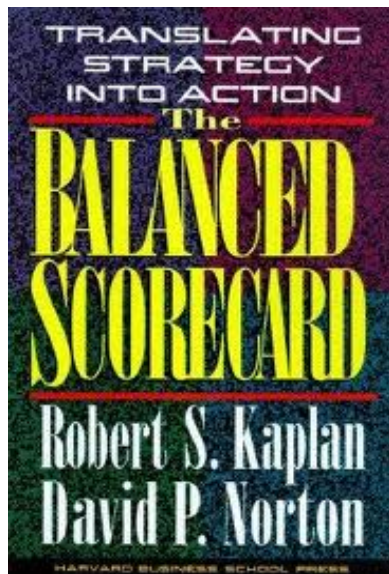
*[www.RefineM.com](http://www.RefineM.com)*

# 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

# What is a Balanced Scorecard?

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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

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# More on Balanced Scorecard?

The **Balanced Scorecard** technique is the most effective way to implement a strategy.

*whether the objective is to create a Business or improve an existing one.*

Most of the **business plans** will focus on the target, setting objectives on *Financial* Results and on *Customer* Satisfaction.

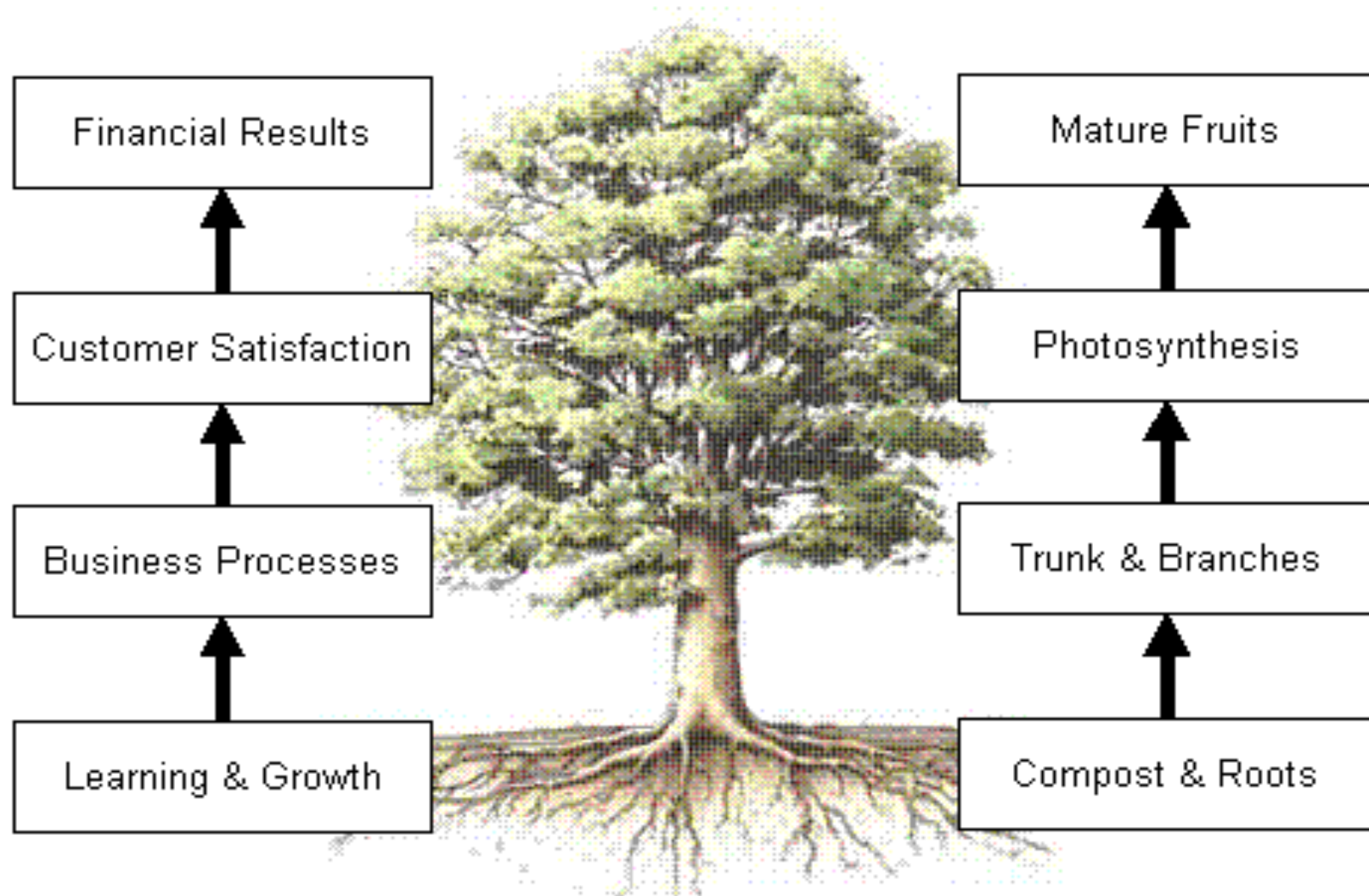
*But the way to reach them is not so clear.*

Working on the *internal perspectives*, setting related objectives on Processes & *learning & growth* for their 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?





# That's exactly what fathers of BSC say?

To maximize your chance of getting the results, pay attention to the other perspectives:

- Customer Satisfaction
- Business Processes
- Learning & Growth



In addition to the Financial perspective

# What fathers of BSC say?

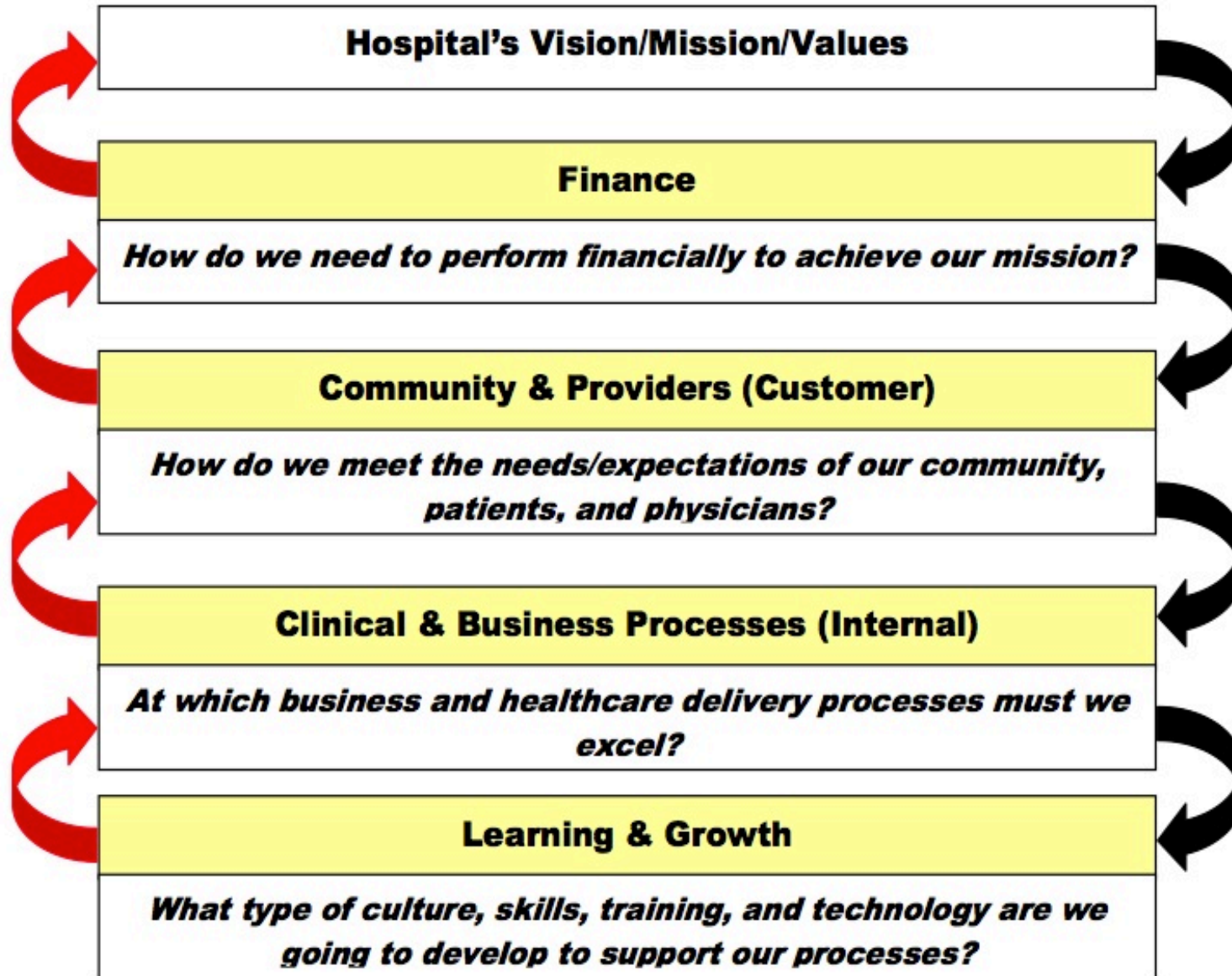
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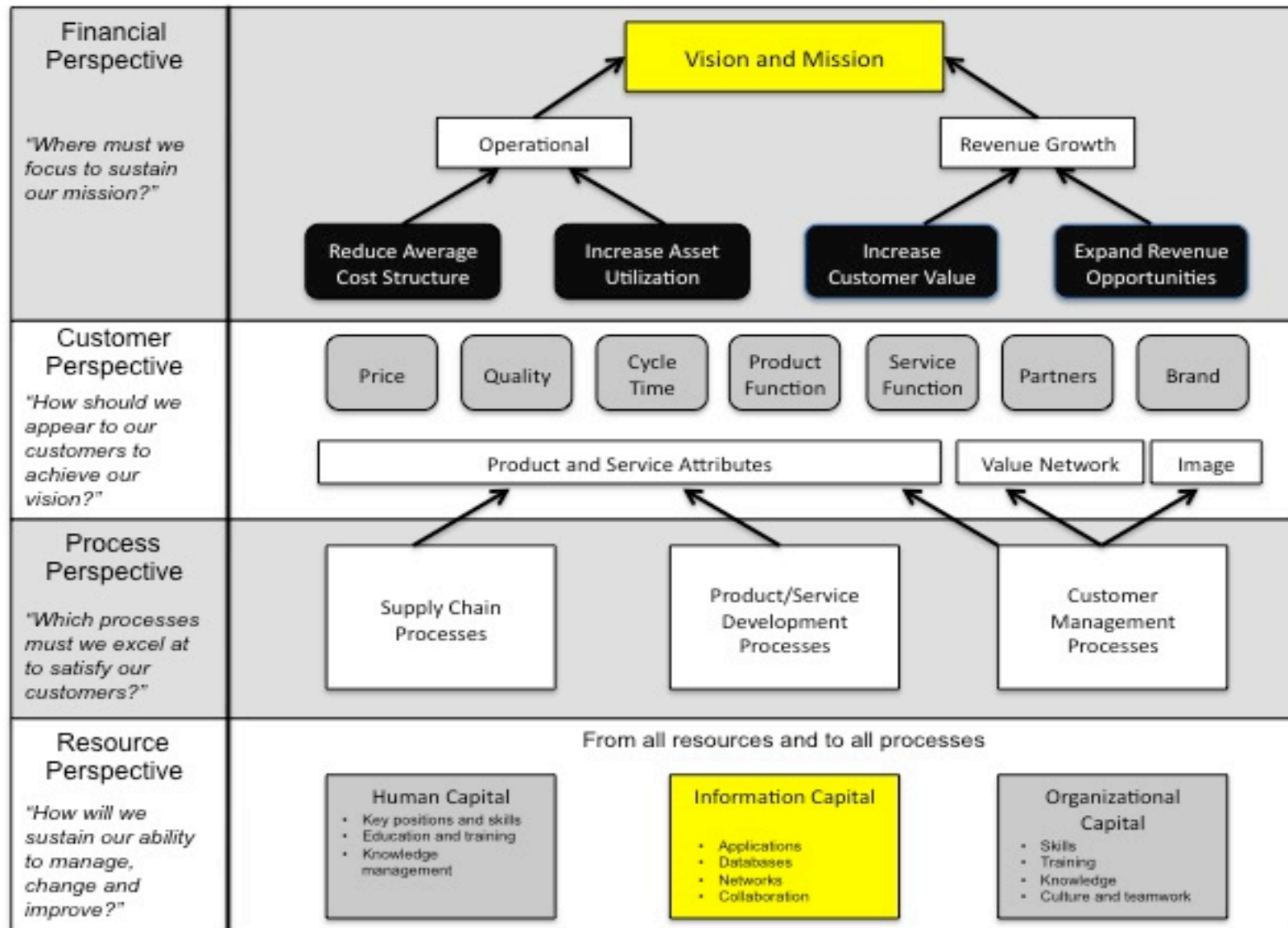


In addition to the Financial perspective

# Implementing Strategy thru BSC – an Example

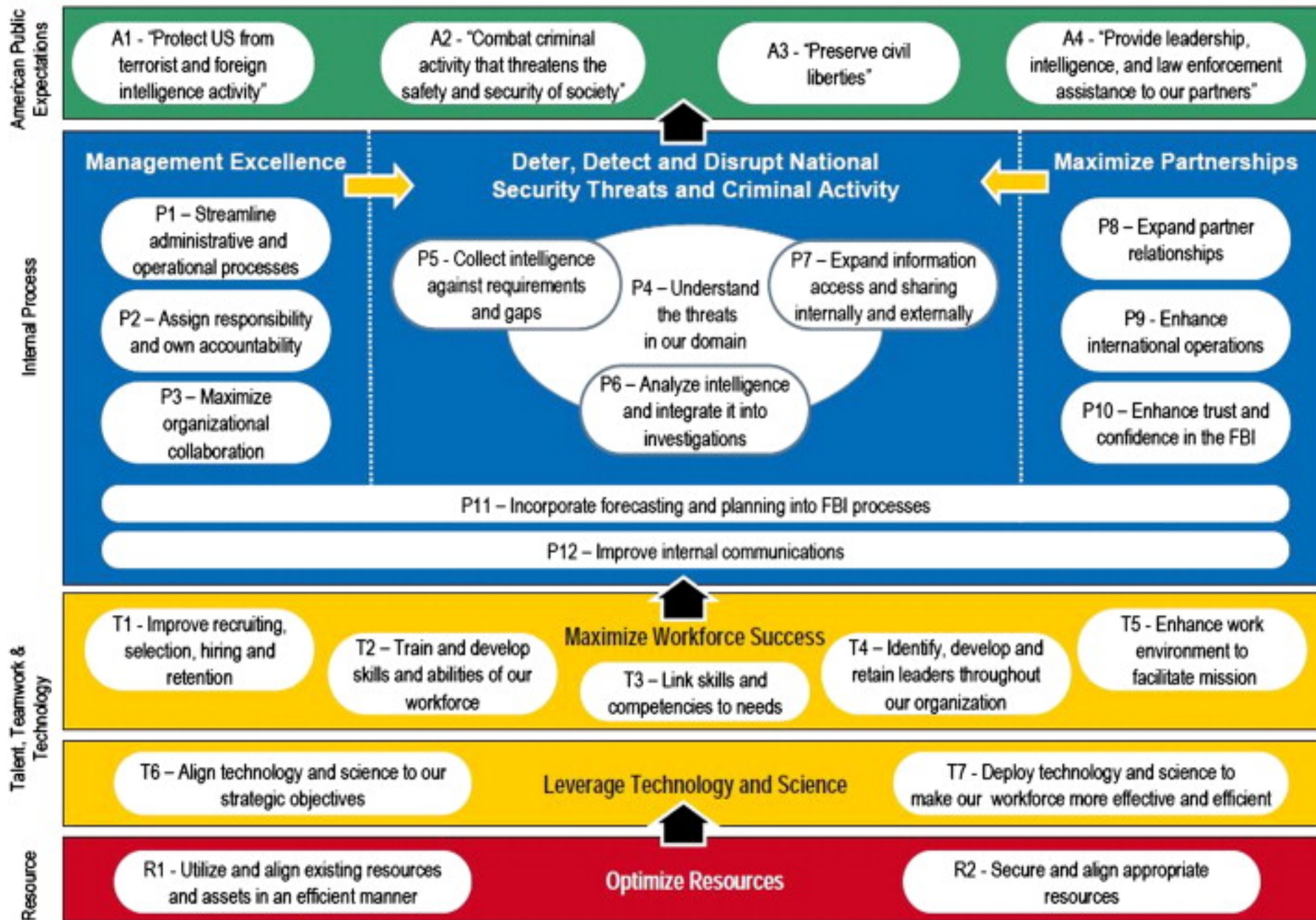


# Building a Strategy Map





# FBI Strategic Framework: Detailed Strategy Map



# An Example of a Balanced Scorecard

Simplified Strategy Map	Performance Measures	Targets	Initiatives
Financial <pre> graph TD     A([Align ground crews]) --&gt; B([Improve Turn-around time])     B --&gt; C([On-time flights])     B --&gt; D([Lowest fare])     C --&gt; E([Increase revenue])     D --&gt; E     E --&gt; F([Increase profitability])     F --&gt; G([Lower costs])           </pre>	<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>
Customer 	<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>
Internal 	<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>
Learning 	<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 Farragut 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





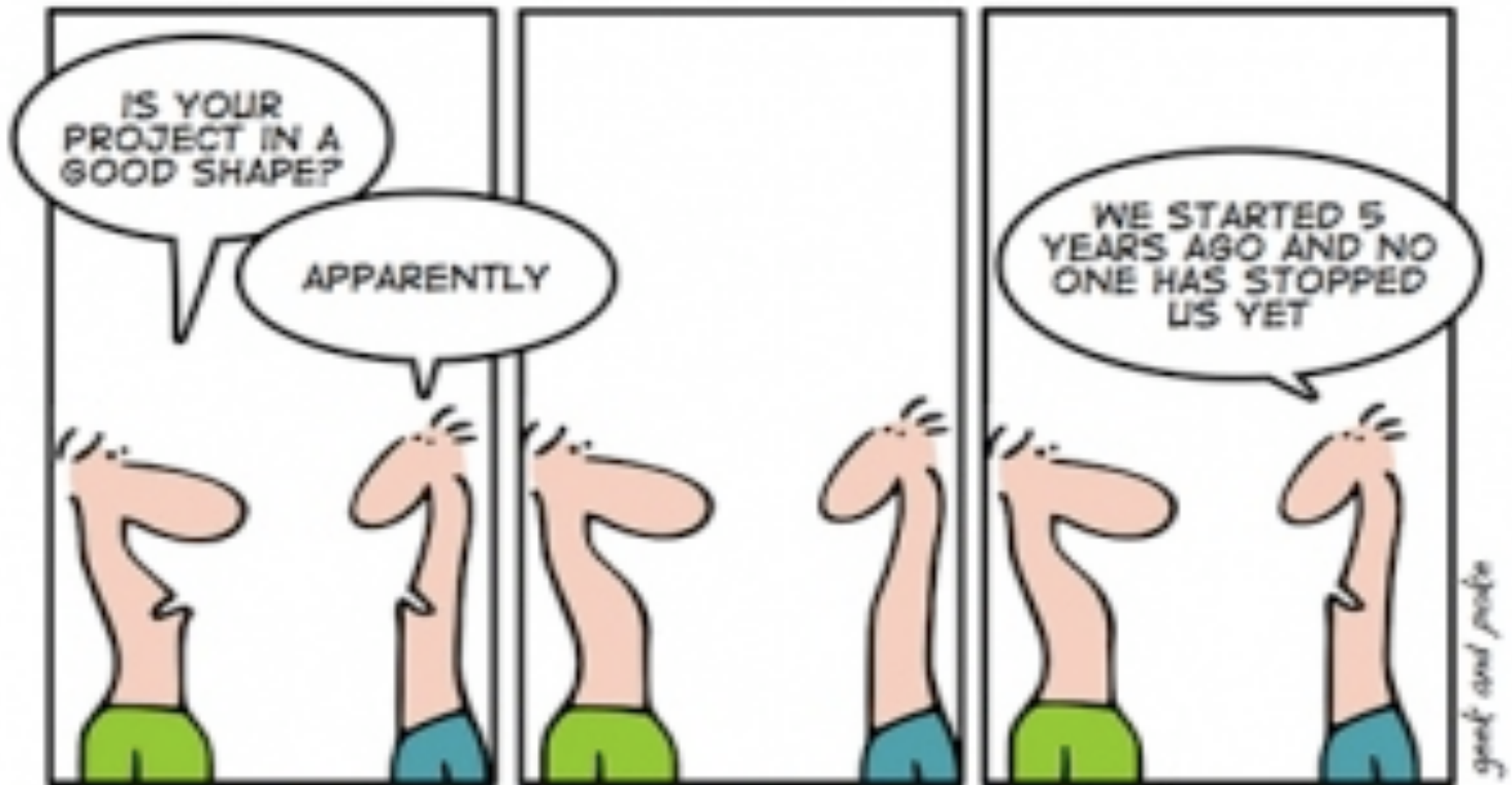
# Why Strategic Alignment?

- ✓ 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 most strategic impact?



[illegible]

## Why Strategic Alignment? One more reason...



ONE YEAR IN A IT PROJECT - DAY 19

# Aligning Project Portfolio to the Company Strategy

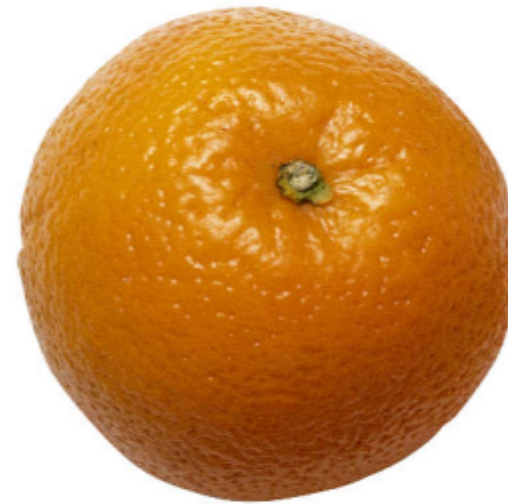




# Project Vs. Portfolio Management?



Doing Projects RIGHT



Doing RIGHT Projects

## **Scoring process 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?*

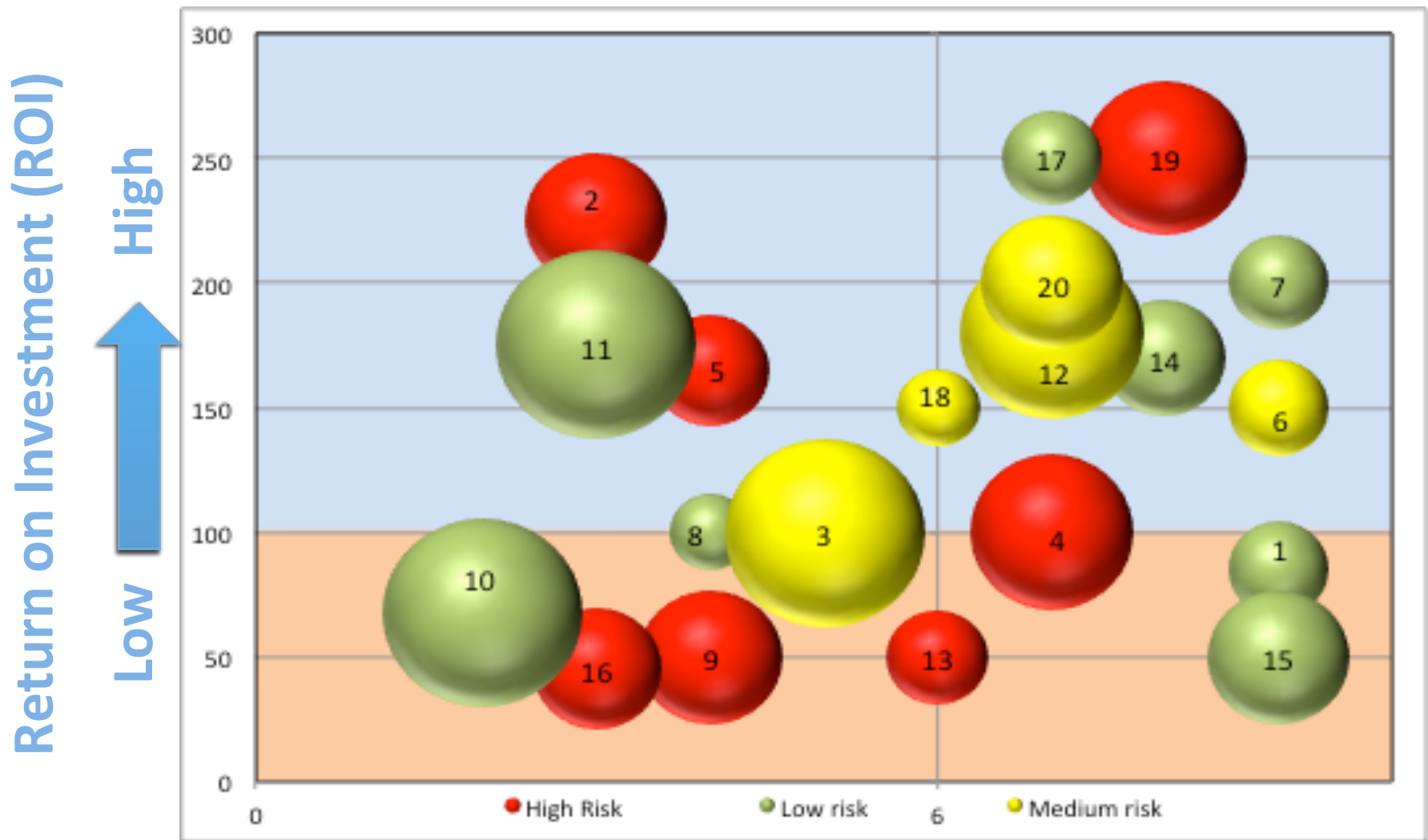
- **Project Size**

*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



Strategic Alignment Low → High

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

# The BSC Game

- Four Teams are competing to **WIN**
  - ✓ Financial (Team F)
  - ✓ Customer (Team C)
  - ✓ Internal Processes (Team I)
  - ✓ L&G (Learning & Growth) (Team L)
- Three judges will judge each team's results
- Each team will develop for their own area (in 10 minutes)
  - ✓ 1 strategic objective
  - ✓ 1 strategic initiatives to achieve the objective
  - ✓ 2 measures to track the progress of the initiative
- Each team will present their results (1 minute/team)
- Judges will score each team's results and announce the winner
- Winner will be **REWARDED...**

## Quiz for the rest...

- Who is Dr. Kaplan? The guy on the left or the one on the right?
- Which among the four aspects of BSC is most important? Why?
- What is the difference between a strategy map and a balanced scorecard?
- Will you develop a strategy map before the balanced scorecard or vice versa?
- 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 Dr. 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?**

