Balanced Scorecard

Using a Balanced Scorecard in Contract and Supplier Management (CSM)

A **Balanced Scorecard (BSC)** is a strategic management tool that allows organisations to monitor and manage performance across multiple dimensions.

In **CSM**, the BSC:

- Aligns supplier performance with organisational objectives.
- Provides a structured framework to track medium and high-risk contracts.
- Supports evidence-based decisions and early identification of risks.
- Facilitates continuous improvement and accountability.

Balanced Scorecard Quadrants

Open or close

The BSC typically uses four quadrants. For contract management, these can be adapted to suit the commodity/service as required. The BSC in the Procurement Journey provides some standard (and recommended) standard metrics, which can be supplemented as required:

Perspective	Example Metrics

Quality	**Fit for purpose products** **Key Performance Indicator (KPI) :** • Supplying specified products • Providing specified service levels **Returns** Such as: • Frequency and reasons for returns provided **Continual Improvement/Innovation** Such as: • Identifying alternative products more suited to the users requirements • Product rationalisation to expedite same function products **Change Management** Such as: • Reactive or proactive approach to change management

Cost	**Pricing Stability** (out with agreed 12 monthly pricing reviews) **Invoice Accuracy** Such as: • Promoting opportunities to improve invoice accuracy **KPI:** • Invoice queries resolved withing 24 hours **Cost Reduction Initiatives** Such as: • Promoting with organisations, the use of contracted products which offer better value • Promoting the use of consolidated invoicing • Promoting the use of consolidated ordering • Promoting and supporting the use of e-Procurement solution
Sustainability	**Corporate Social Responsibility** Such as: • Promotion of 'Green/Recycled' products • Promotion of opportunities to reduce delivery frequency while maintaining service levels • Promotion of initiatives to support buying organisations green agenda

Service	**Responsiveness** Such as: • Effective account management - queries dealt with/improvement suggestions made where appropriate • Effective customer service - queries dealt with promptly/appropriate information supplied • Notification of back orders (alternatives offered where appropriate) • Effective communication - supplier ensures there is regular contact and advises of any new products or additional service benefits

Guidance Notes

Monitor cost-effectiveness while ensuring quality standards are met. Use reporting to track financial performance.

Ensure that the contract delivers intended public service outcomes. Stakeholder engagement and feedback should be documented.

Track compliance with contractual terms, Scottish public sector policies, and risk management plans.

Encourage proactive improvement from suppliers and internal teams. Document lessons learned and share across departments.

Steps to Implement a Balanced Scorecard

Open or close

Below are some suggestions of the steps you can take to implement your BSC:

1. **Define Objectives and Outcomes**

    - Identify the strategic goals of the contract (e.g., service quality, cost savings, compliance).
    - Align these goals with the organisation’s priorities and Scottish public sector standards.
2. **Select Metrics and KPIs**
    - Use a mix of quantitative and qualitative indicators.
    - Ensure metrics are measurable, relevant, and achievable.
3. **Set Targets and Thresholds**
    - Define what constitutes acceptable, satisfactory, and unsatisfactory performance.
    - Include thresholds for medium and high-risk contracts that trigger escalation.
4. **Data Collection and Monitoring**
    - Determine how data will be collected (e.g. supplier reports, management, information, surveys).
    - Schedule regular performance reviews, at least quarterly for medium-risk, monthly or bi-monthly for high-risk contracts.
5. **Analysis and Reporting**
    - Compare actual performance against targets.
    - Identify trends, risks, and areas for improvement.
    - Report findings to relevant governance boards or senior managers.
6. **Action and Improvement**
    - Implement corrective actions when targets are not met.
    - Encourage suppliers to adopt best practices and continuous improvement initiatives.
    - Document lessons learned for future contracts.

Risk Considerations

Open or close

- **Medium to High-Risk Contracts:** Require closer monitoring with detailed KPIs and thresholds.
- **Data Quality:** Ensure that metrics are based on accurate, timely, and verifiable data.
- **Escalation:** Establish clear escalation routes for non-performance or critical risks.

- **Governance:** Ensure compliance with the Scottish Public Finance Manual (SPFM) and other relevant guidance.

Checklist

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Balanced Scorecard Checklist of Good Practices

- Keep the BSC **simple, clear, and actionable**—avoid over-complicating with too many KPIs.
- Engage internal stakeholders and suppliers in developing the scorecard.
- Review and update the scorecard regularly to reflect changing priorities or contract circumstances.
- Integrate the BSC into broader **contract management governance frameworks** and reporting cycles.
- Use digital tools or contract management systems to automate data collection and reporting wherever possible.

Example Balanced Scorecard (Medium-High Risk Contract)

Open or close

Quality

Objective	KPI / Metric	Target	Rating Method	Evidence Sources
Ensure goods/services consistently meet specification	% of deliverables meeting specification at first inspection	≥ 95%	Red/Amber/Green (RAG)	QA reports, inspection logs
Maintain high standard of compliance	Number of non-conformance's identified per quarter	0 major; ≤ 2 minor	RAG	Audit findings

Objective	KPI / Metric	Target	Rating Method	Evidence Sources
Continuous Improvement (C.I.) delivered	Number of agreed improvement actions completed on time	≥ 90%	RAG	CI log, meeting minutes
Maintain supplier competence and training	% of staff with required qualifications/training	100%	RAG	Training records

Cost (Financial Performance & Value for Money)

Objective	KPI / Metric	Target	Rating Method	Evidence Sources
Deliver services within agreed contractual pricing	Variance from agreed pricing	0% variance except agreed change control	RAG	Invoices, finance reports
Effective cost control and forecasting	Accuracy of supplier cost forecasts	≥ 95% accuracy	RAG	Supplier cost forecasts
Minimise unapproved additional charges	Number of unapproved cost deviations	0	RAG	Invoice verification
Demonstrate ongoing value for money	Benchmarking / efficiency savings identified annually	Minimum 2% efficiency improvements or equivalent justification	Narrative + RAG	Benchmarking reports

Sustainability (Social, Environmental, Fair Work)

Objective	KPI / Metric	Target	Rating Method	Evidence Sources
Reduce carbon impact	CO?e reduction against baseline	Annual reduction or evidence of mitigation	RAG	Carbon reports
Comply with Fair Work First principles	Evidence of fair pay, worker voice, no inappropriate contracts	Full compliance	Narrative + RAG	Fair Work statements, audits
Ethical and sustainable supply chain	% of Tier 1 suppliers compliant with relevant codes (e.g., modern slavery, ethical sourcing)	100%	RAG	Supply chain declarations
Support local social value outcomes	Contribution to community benefits (training, apprenticeships, local jobs)	Meet agreed community benefit commitments	RAG	Community benefit reports

Service (Performance, Responsiveness, Delivery)

Objective	KPI / Metric	Target	Rating Method	Evidence Sources
Meet key service levels	% of KPIs met each reporting period	≥ 95%	RAG	Monthly KPI reports
Timely delivery of goods/services	On-time delivery rate	≥ 98%	RAG	Delivery logs
Effective incident and issue resolution	Average time to close incidents	≤ 3 working days (or contract-specific)	RAG	Helpdesk records
Strong relationship and communication	Attendance and engagement in contract meetings	100% required sessions attended	RAG	Meeting minutes

There is a **Balanced Scorecard** available for you to use at the bottom of this page.

The scorecard can be issued to multiple users of the contract and responses compiled to use as discussion point during the supplier review meetings.

The Key Performance Indicators (KPIs) can be edited to suit the commodity/service area. To support consistency and objectivity it's important to define and communicate clearly what thresholds apply for Red, Amber or Green classification. e.g. Green is 97% of deliveries on time, Amber is 92% of deliveries on time and Red is <92% of deliveries on time.

Any documents you need are listed below

CSM Balanced Scorecard Spreadsheet

(file type: xlsx)