# 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 |
| --- | --- |

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

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

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| **Service** | **Responsiveness**<br><br>Such as:<br><br>• Effective account management - queries dealt with/improvement suggestions made where appropriate<br>• Effective customer service - queries dealt with promptly/appropriate information supplied<br>• Notification of back orders (alternatives offered where appropriate)<br>• 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

Checklist

## 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)