



intra**focus**

BUSINESS SCORECARDS

Annual Business Scorecard Survey - 2012



January 2013

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Executive Summary

The biggest challenge facing companies and organisations of all sizes today is how to drive their businesses out of the current economic recession. To do this focus has to be put on managing operational activities effectively **and** building and managing strategies for change.

In the past, strategic execution has not been a highly developed process for most companies and organisations. Therefore it has been difficult to manage strategic change. Although a business scorecard should not be seen as the 'silver-bullet' to enable strategic change it can, if implemented properly, make a real difference.

This survey was designed to examine business scorecard usage within companies and organisations to provide an insight into where and how they are used. The respondents were told this was *not* a survey specific to *balanced scorecard* usage. All scorecard types were considered valid.

The following key points can be gleaned from this survey:

- Scorecards are in use across all industries. The format of the scorecards varies considerably and seems to grow through specific company/organisational need.
- There is an emerging use of dedicated technology to manage strategy, objectives and KPI scorecards. However, the vast majority of scorecards are still spreadsheet based.
- There are still a small number of companies/organisations that manage their strategy, objectives and scorecards using free form documentation.
- The majority of scorecards are used to simply report on progress 'up-the-chain'. In other words they are a mechanism to ensure executive management is informed about the business. Of this majority most would view scorecard management as a required task, but not one that held great importance.
- Although there were no specific questions about objective and metric ownership, discussions revealed that this was the single most important contributing factor to a laissez-faire attitude toward the scorecard process, i.e. lack of ownership.
- There was also, however, a large minority who believed that the scorecard process was an instrument for positive strategic change.
- Over a third of the companies surveyed believed that the way in which their companies were measured could be improved; only a very small proportion was highly satisfied.

The results of this survey provide encouragement to both executive management and practitioners alike. Although there is still a majority view that things need to be measured just to monitor operations, there are areas such as the introduction of technology and scorecard use in strategic improvement that suggest more formal approaches have real value.

Introduction

This survey is called the 'Annual Business Scorecard Survey'. The title has significance as it has captured information about the *variety* of scorecards used within business. It has not concentrated on more traditional 'Balanced Scorecards' and has not restricted itself to an investigation of Balanced Scorecard usage. The questions were purposefully open to interpretation about the type of scorecard used.

In the current economic climate there are multiple challenges facing leaders in companies and organisations alike. For several years we have seen drastic reductions in sales or budgets resulting in mass redundancies and closures. Cut-backs can only be considered as a short-term strategy to resolve the current situation, at some point growth strategies need to be put into place. However, the world has changed and any growth strategy needs to be very carefully controlled. Investment agencies are looking for more accountability and therefore require better business performance management data and systems.

Good business scorecard solutions are providing the means to manage, monitor and maintain growth strategies by giving the right level of detail at the right time to the right people. The following survey has looked at how business scorecards have been used in organisations to undertake this activity or parts of this activity.

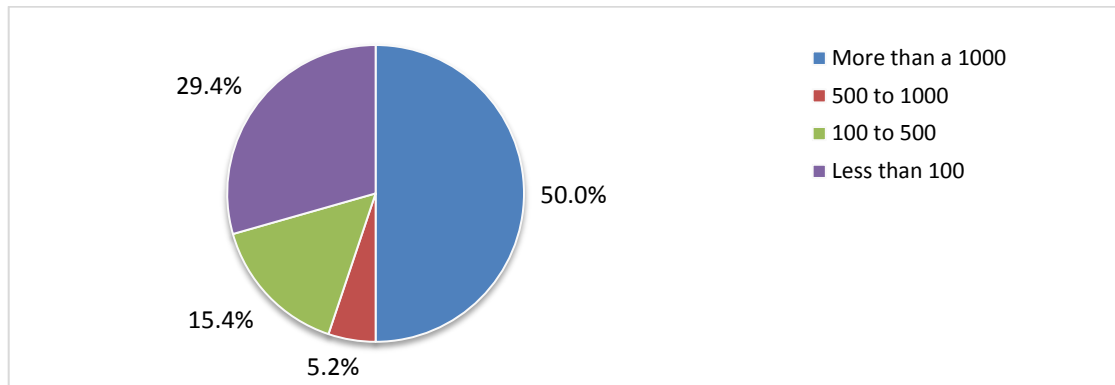
The survey was conducted between the months of September and November 2012. Survey participants were determined through a pre-selection process to ensure a high quality response. Contact was made through approximately 8000 personalised e-mails, private invitation from Intrafocus consultants and further invitation via affiliated consultants. The objective was to survey senior executives, those people directly involved in formulating company/organisation strategy and a selection of senior practitioners. It was also important to ensure responses came from a variety of sectors.

In all a total of 138 responses were gained of which 2 were eliminated due to erroneous data. The following analysis therefore represents the views of a medium sized pool of highly qualified executives and practitioners. The data has been evaluated using frequency, cross-table and correlational analysis to provide additional narrative.

Demographics

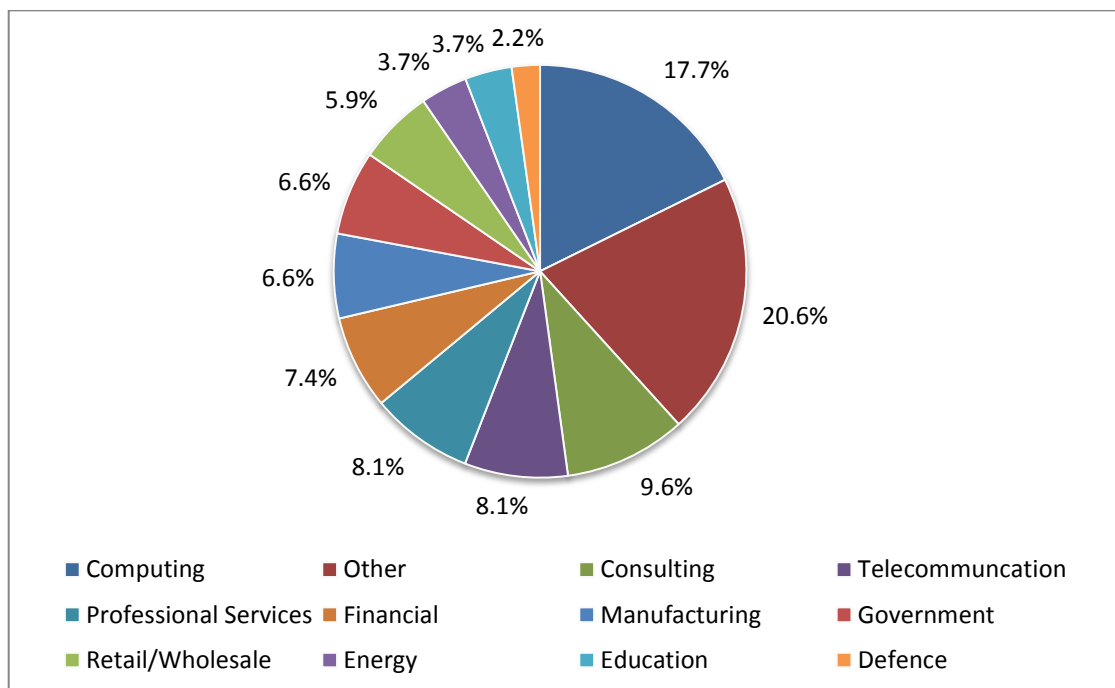
Question 1: How big is your company? (Number of people)

Company sizes were determined by number of staff. The majority of the participants (50%) came from large companies (greater than 1000). On reflection it may have been wise to include a category of 1000-5000 and a category of 5000 or more. Had this been the case, we believe the split would have been approximately 50-50 between the two showing a much more even distribution between all company sizes from small to large. (This split will be included in next year's survey).



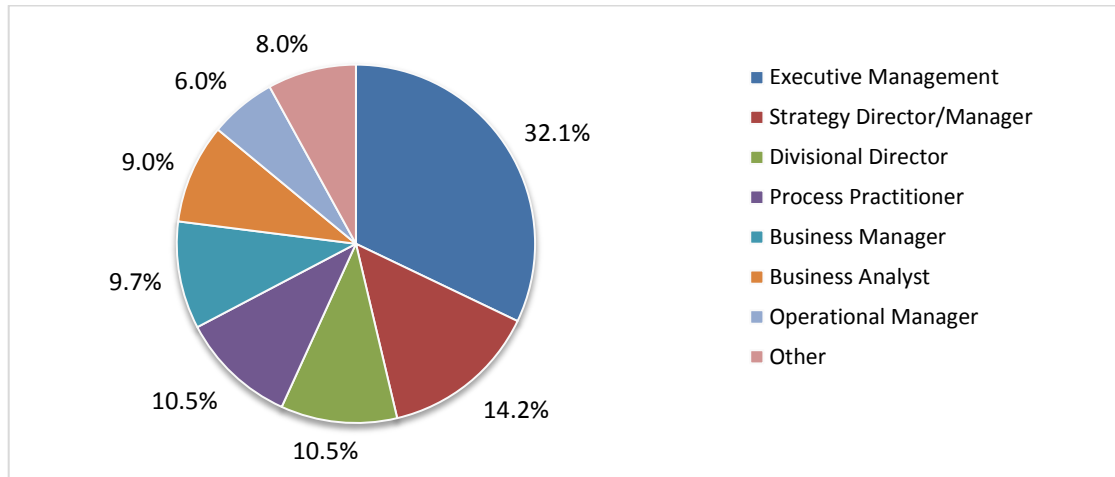
Question 2: Which sector best represents your company?

An excellent representation by industry was achieved showing a good spread of activity across the market. Note, although the slightly larger segment in the Computing industry stands out, it is not above the industry average for this type of survey. The segments of Government, Education and Defence are represented, but given the market size of these areas, this survey does not adequately represent their views.



Question 3: Which role best represents your job?

Due to the nature of the targeting of this survey by far the largest response came from executive management, those individuals involved in company/organisation strategy and senior management. This result was intentional to ensure the questions were answered by the people who had a vested interest in the success of their companies/organisations and who best understood the needs behind the use of a business scorecard to validate (or otherwise) the success of their objectives.



Analyst Comment: The number, sector spread and roles of the survey participants represent a good cross section in this niche subject area. The use of business scorecards and balanced scorecards is not a subject widely known by the majority of people in typical businesses and organisations. A majority made up of executive management tempered by a minority of acting practitioners has provided a balance view.

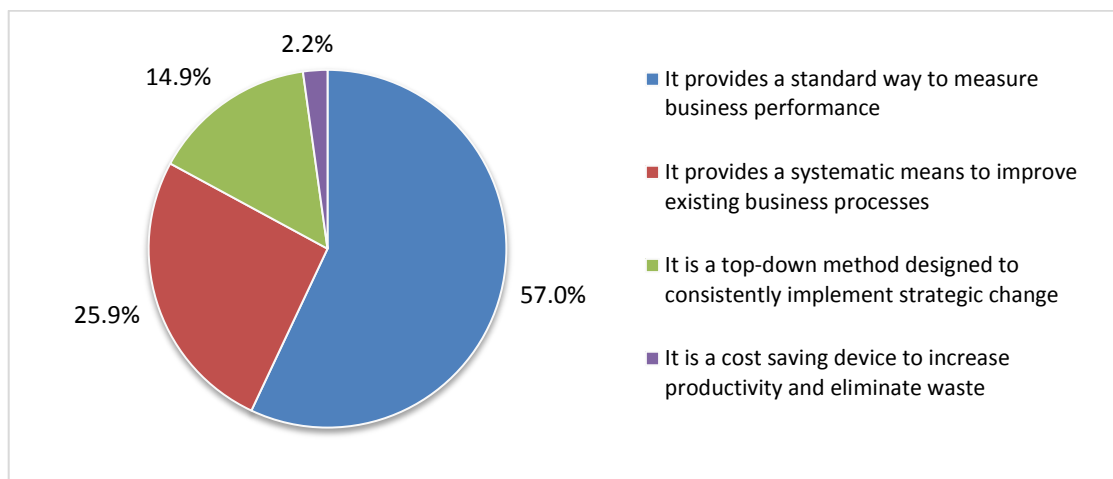
Results

Understanding and Business Commitment

Question 4: What best describes your organisation's understanding of a business scorecard?

Providing a standard way to measure business performance was seen by the majority of respondents (57%) as the best way to describe their understanding of the business scorecard function. This is not unexpected, most organisations still use a simple spreadsheet based red/amber/green scoring system for their key performance indicators (see Question 10 below).

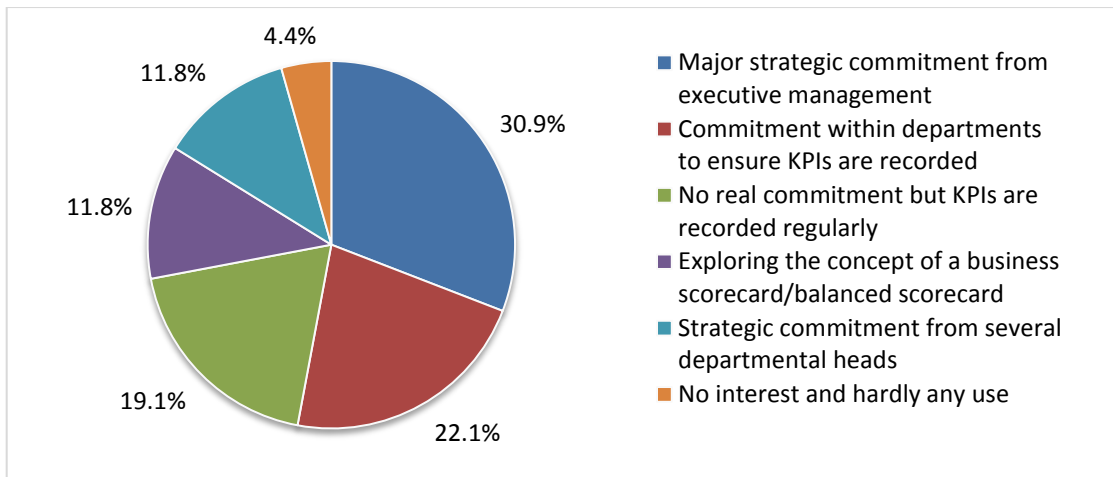
It was encouraging to see that over 25% of the respondents saw the business scorecard function as a means to make improvements to existing business processes. Nearly 15% took this a step further and believed it assisted them in implementing strategic change.



Analyst Comment: With nearly 40% of the total regarding the scorecard as an instrument of positive change we can see the importance of this function in driving businesses and organisations out of economic recession. More evidence is required to determine whether this is a growing trend, however, 40% is a significant figure demonstrating a sense of confidence in the use of scorecards to help initiate change.

Question 5: How would you characterise your organisation's commitment to a business scorecard?

Although there is major strategic commitment to business scorecards from executive management (31%) this commitment does not seem to be particularly strong from departmental heads (12%). Just over 41% of the respondents show a commitment to use a scorecard system to simply record KPIs. With almost 12% of the survey participants stating they are exploring the concept of a business scorecard/balanced scorecard we can see that a small number of participants are new starters to this process.

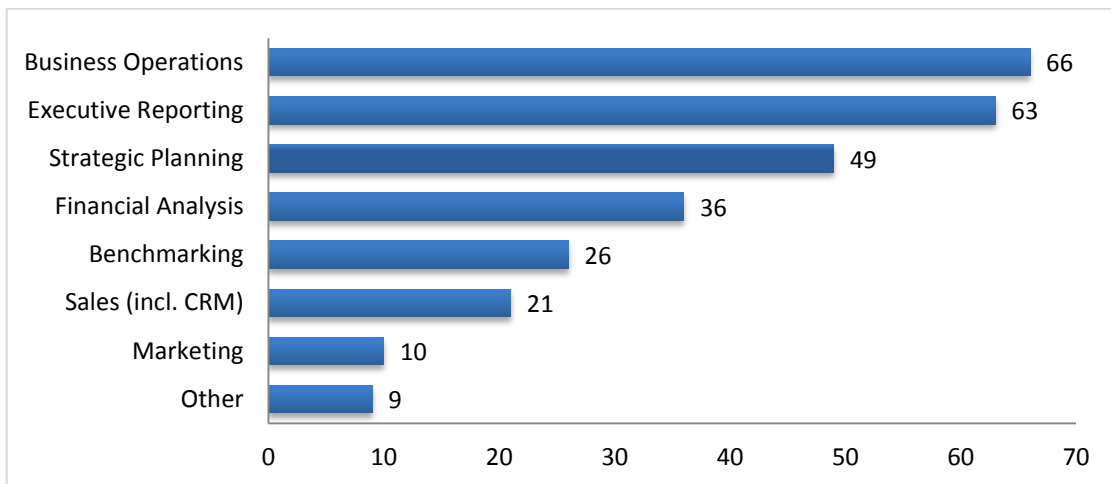


Analyst Comment: Given the majority of the respondents were executive managers it is not unexpected to see almost 31% professing a major strategic commitment. The fact that just over 19% of the survey participants showed no real commitment to business scorecards but regularly recorded KPIs required further investigation. Evidence through discussion determined that where KPIs were recorded and ‘fed-up-the-chain’ the lack of ownership of the KPI was the reason there was a laissez-faire attitude towards the scorecard process. It demonstrates the importance of assigning ownership to both objectives and metrics within an organisation to ensure buy-in and subsequent improvement.

Areas and Frequency

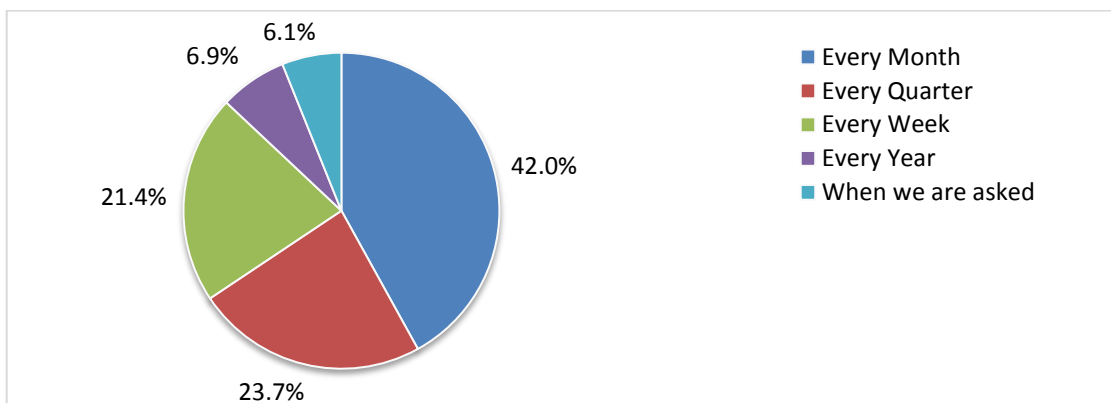
Question 6: What areas of activity do you use your scorecard for?

The survey participants were given the option to select up to 2 answers for this question but were not limited to 2. This resulted in 16 respondents selecting 3 or more options giving a total selection of 280 'Yes' responses. Of the 280 'Yes' responses the two largest areas were Business Operations (66) and Executive Reporting (63). This was followed by Strategic Planning (49) and Financial Analysis (36).



Question 7: How often do you use your scorecard as part of your reporting?

No real surprise here, the majority of reporting in the business world takes place monthly; this is reflected by a majority score of 42%. Business scorecards tend to be associated with longer term activities, projects and strategy so to see 24% of the respondents selecting every quarter is also in keeping with scorecard activity. 21% of the survey participants use their scorecard as part of a weekly reporting cycle, in the manufacturing, telecoms and energy sectors this is a more common practice.



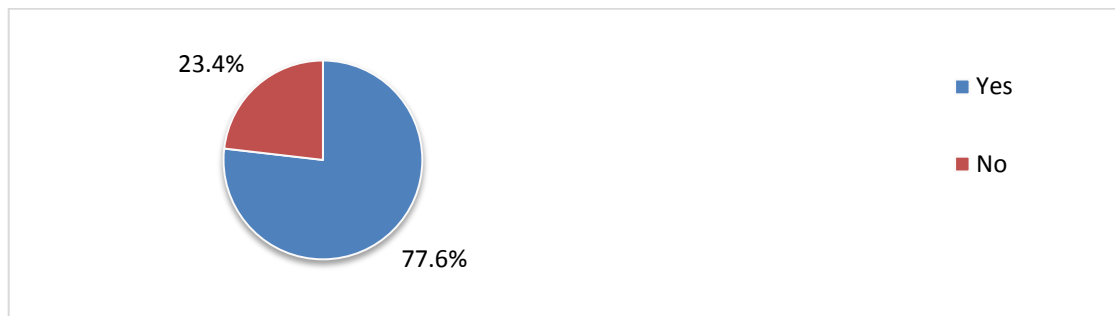
Analyst Comment: It is encouraging to see that strategic planning is considered as a significant component of business scorecard usage. The business scorecard provides the

means to validate that a strategy is working (or not). Business operations and executive reporting will always be seen as the major reason for a scorecards existence. It is interesting to note that financial analysis has scored relatively low. This further demonstrates that companies and organisations are considering much more than the 'bottom-line' when assessing business performance and progress. The frequency of scorecard usage is as expected.

Key Performance Indicators (KPIs)

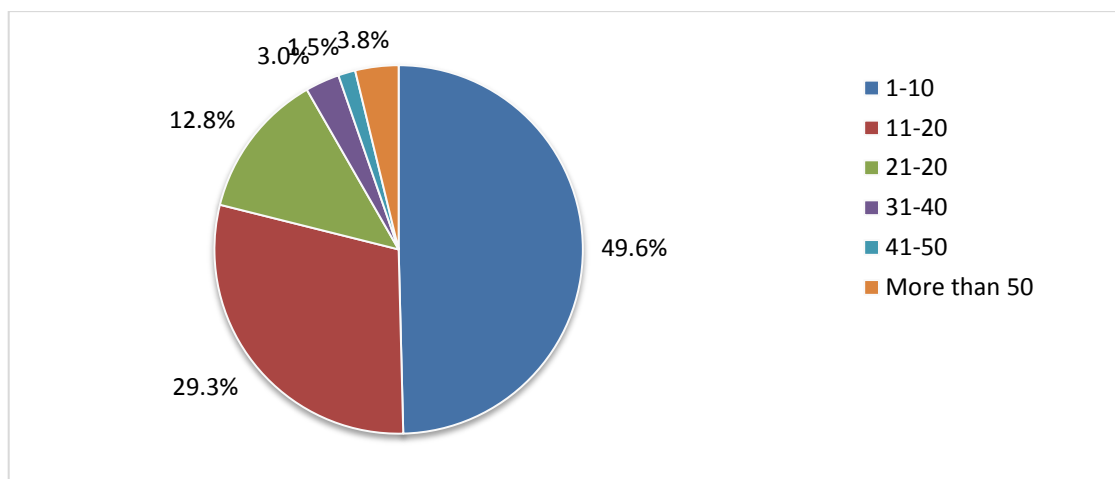
Question 8: Do you have a formal set of Key Performance Indicators (KPIs)?

It was a mystery as to why just over 23% of the survey participants believed that they did not have a set of formal key performance indicators. On further investigation though discussion it was found that this was a semantic issue. In some organisations or companies the description given to 'scores' is not Key Performance Indicators (KPIs) but *Performance Measures* or *Metrics* or another description meaning the same thing.



Question 9: Approximately how many KPIs do you have on your scorecard?

This question asked the respondents to confine the answer to 'a single card' rather than the sum of KPIs on all cards. Nearly half the respondents stated that they have between 1-10 KPIs on any one scorecard. It is interesting to note that the linear decrease in the percentage responses as the number of KPIs increase on scorecards.



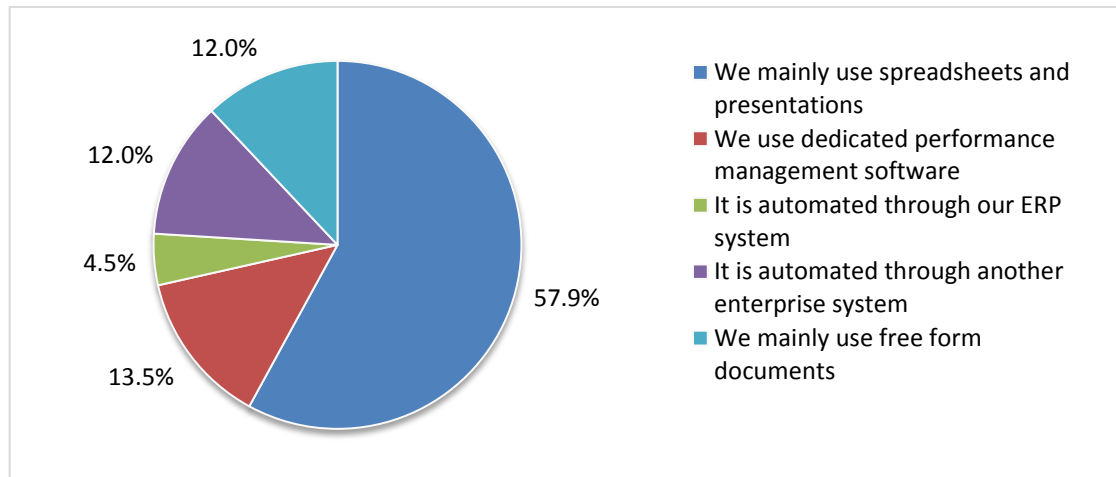
Analyst Comment: That 24% of the survey participants believe they have no formal KPIs yet use scorecards illustrates the importance of the use of language in this area. It actually does not matter what label is used for a KPI, Performance Measure or Metric, it is important, however, that everyone who is using the label understands what is meant by it. This is equally true of the language used to describe the metric itself, all too often we fall into the trap of using vague language for KPIs and Objectives rather than striving for more precise language that everyone will understand.

It is encouraging to see that 50% of the respondents only have 1-10 KPIs per scorecard. To ensure we do not try to boil-the-ocean, it is imperative to limit the number of things we measure for strategic purposes.

Software Used

Question 10: What type of software do you use to manage your scorecard?

Spreadsheets, predominantly Microsoft Excel, are still used in the majority of cases to manage the business scorecard process. The dominance of Excel in the market combined with its ease of use will mean it will undoubtedly remain in place for some time to come. However, nearly 26% of the survey participants are using dedicated performance management software or exiting enterprise systems. A small percentage have not advanced further than free form documents (12%)



Analyst Comment: It is encouraging to see that a significant number of companies and organisations are using dedicated performance management software. This is no longer the domain of the large enterprise. With cost affordable software and the increasing use of Software as a Service (SaaS) and Cloud based solutions it would seem that small to medium sizes companies can use highly functional dedicated system as well.

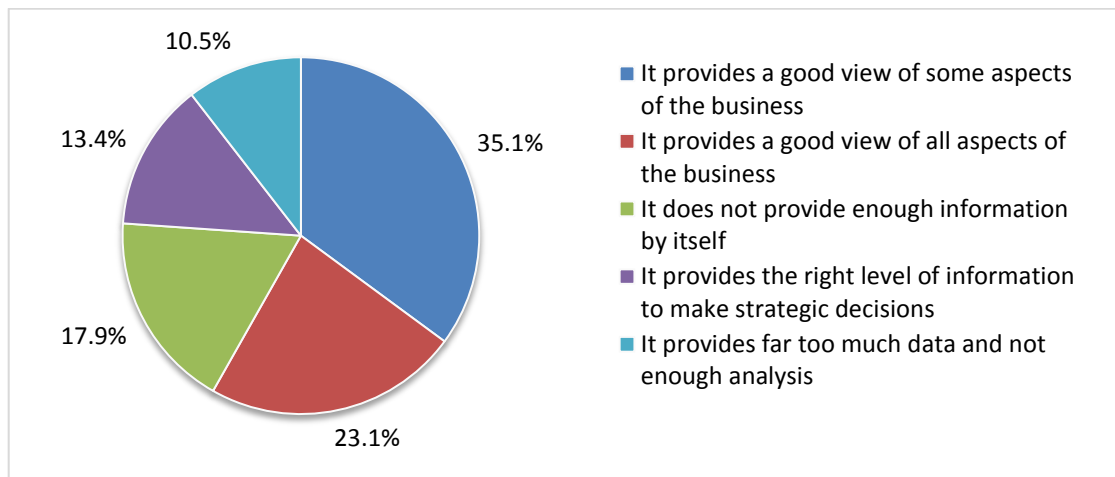
It is no surprise that spreadsheets are still the most widely used application for business performance management. The spreadsheet is convenient, user friendly and available on virtually every desktop. The down-side is that spreadsheet control is very difficult resulting in inconsistent reporting and varied results (viewed from multiple perspectives).

In an environment where both internal and external control is becoming a feature of everyday business life, the use of dedicated software and specialist applications will increase. The advantages gained in audit transparency in regulated areas will undoubtedly further progress the accelerated use of this type of software.

Overall Satisfaction

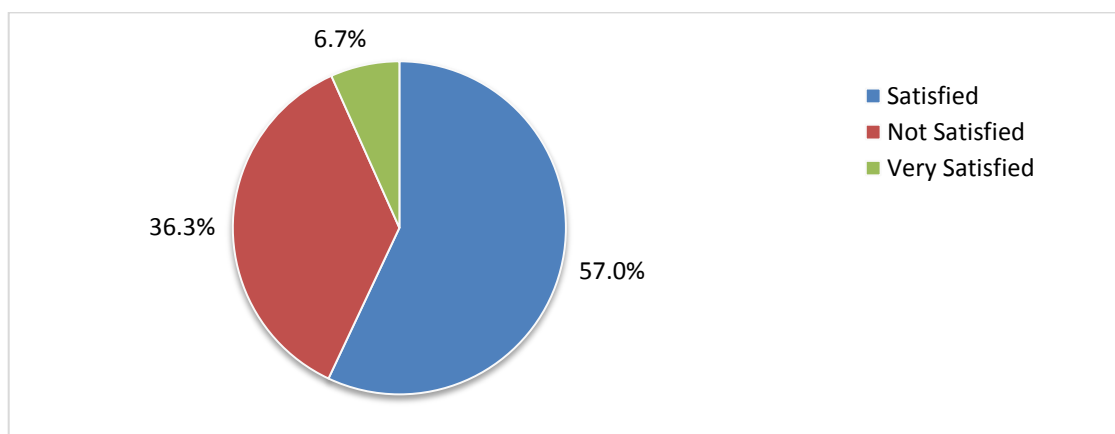
Question 11: How would you rate your business scorecard?

On the whole scorecard usage is viewed as being useful with nearly 62% of the respondents providing positive feedback. Only 13% of the survey participants believed that their scorecards provided enough information to allow them to make strategic decisions. Once again this demonstrates that in the main scorecards are used to report on operational activity rather than provide a tool to initiate change.



Question 12: Overall, how satisfied are you with the way you measure your organisation?

Over a third of the survey participants (36%) were not satisfied with the way their organisation was measured. Further research through discussions indicated that a major dissatisfaction came from a lack of clarity around objectives resulting in poor KPIs being put in place and a lack of ownership for both objectives and KPIs.



Analyst Comment: With only 7% of the respondents very satisfied with the way their organisation were measured, it seems there is much work to be done in all industry sectors to better align business to business performance management techniques and systems.

Moving to dedicated performance management system software would appear to be a good strategy to provide a better, centralised view of the business and would give company executives the means to allocate responsibility for individual KPIs and business objectives.

Final Comments

This survey is the first of an annual survey that will take place in the last three months of the calendar year. It therefore sets the benchmark for future surveys. With a respondent list of 136 people it can be considered as highly representative in the niche area of business scorecards.

Future surveys will include all of the existing questions to enable year-on-year comparisons. The experience has shown us that a small number of additional questions can be asked to provide further insight into the following areas:

- Objective and metric ownership
- Strategic alignment to current operations
- Additional types of industries/organisations

The survey concentrated on business scorecard usage in the United Kingdom. However, during the survey several additional responses were gained from businesses located in countries around the world. Next year, the survey will be open to a world-wide response and have an additional question asking for the respondent's location. This way we will preserve the United Kingdom benchmark and provide some additional country specific information.

We would like to thank all of the respondents for their participation in this survey, if you have any comments or suggestions, please forward them to survey@intrafocus.com

About Intrafocus

Intrafocus is a corporate performance management software reseller and consultancy.

Whether you use standard strategic planning tools like strategy maps, balanced scorecards or business scorecards, or use your own internal strategic planning and management processes, our software can help. With it you can achieve strategic alignment through the creation of meaningful strategic objectives, the development key performance indicators and linkage to strategic initiatives.

Intrafocus is based in Winchester, England and provides software and services to the United Kingdom and Central Europe. Through its partners, Intrafocus also provides software and services the Middle East and Africa.

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