Balanced Scorecard Measures

To appreciate the procurement performance of the business, you require key performance indicators for assessment.

Balanced Scorecard Measures baseline may be based on previous performance. However, it is essential to use procurement balanced scorecard KPI for an effective evaluation. A balanced scorecard KPI example, which you can use to effectively measure your procurement performance, is mentioned below:

1. **Reduction in Cost**: This is the total sum of funds saved due to cost reduction on yearly basis. This BSC balanced scorecard measures the contribution of the procurement branch towards the monetary achievement of the establishment.

2. **Managed Spend and Total Spend**: Total Spend is the funds utilized annually by the organization for the purchase of products and services excluding the remuneration to the staff concerned. Managed Spend is the total amount controlled by the procurement branch. The ratio of the two funds in this balanced scorecard example measures the level of confidence that the organization has in the branch.

3. **Cost Savings and Managed Spend**: The ratio of this key performance indicator evaluates the effectiveness of procurement branch with reference to their assignments.

4. **Procurement Operating Cost and Managed Spend**: Procurement operating cost is the expenditure borne by the business for the establishment of the procurement branch. The cost comprises pay, cost of facilities, software, equipment, etc. Managed Spend is the total amount
controlled by the procurement branch. Their ratio is a key performance indicator.

5. **Return on Investment.** To determine the return on investment, it is essential to determine the return. It implies the amount by which savings surpass the cost incurred on operations. This KPI determines the cost effectiveness of the procurement branch.

6. **Seller Defect Percentage.** Defect percentage of the seller can be determined by dividing the quantity of substandard items by the complete number of purchased items. This KPI quantifies the purchase quality of the procurement branch.

7. **Client Contentment.** The customers are requested to provide feedback regarding the procurement performance, and offer recommendations if they desire. When several organizations employ similar techniques, degree of satisfaction can be identified. This KPI determines the ability of the procurement branch to satisfy their clients.

8. **Lead Time for Procurement.** The normal duration required for procurement, starting from submission of requisition, issue of purchase order, and receipt of products from the seller. This KPI is useful to determine efficiency of the procurement branch.

9. **Obtaining Feedback from Sellers.** Progressive procurement organizations vigorously request opinion from sellers that is directed towards saving in costs and increase in progress. Such ideas are tracked, and measured periodically.

10. **Productivity in Purchasing.** Number of purchase orders, and their cost, issued over a specified period of time.

Also read:

[Top Sales Performance KPIs](#)