



# > “BSC communication indexer<sup>®</sup>”

## Market research tool for implementing a balanced scorecard (BSC)

These days, many major companies are considering implementing a balanced scorecard. In this context, indices are becoming ever more significant. From a customer perspective, image and awareness are very important. Roland Berger Market Research have developed a tool for image and awareness measurement, the BSC communication indexer<sup>®</sup>.

Since Kaplan and Norton first wrote of it, the balanced scorecard, or BSC, has been the topic of frequent discussion. More and more companies are realizing that corporate success does not depend on financial processes alone, but also on non-monetary components. That is why business processes (e.g. product and service quality), customer relationship (e.g. image and awareness), and employee potential (e.g. learning and development) are becoming ever more important when strategic goals have to be defined.

Nevertheless, despite the popularity of the BSC, precise mathematical solutions that can condense the huge amount of information down to a small number of indices are still uncommon. That is why we felt called upon to create a tool.

### BSC communication indexer<sup>®</sup>: Its characteristics and their mathematical-statistical realization

In the early stages of the tool development phase, we defined the most important characteristics of an efficient BSC index tool for the image and awareness perspective. In step two, corresponding mathematical solutions were then created.

The above-mentioned characteristics and their mathematical realization are as follows:

#### 1. Clarity

It was essential to reduce the number of indices to a minimum.

The tool development therefore resulted in only two indices: one image index and one awareness index.

**2. Completeness**

Despite condensing the data down to only two indices, it is vital to avoid important information getting lost. Besides the general image, the image index therefore includes information on after-sales service, product quality, price-performance ratio, and delivery performances (on-time delivery, delivery capability and efficiency, etc.). The awareness index should measure both general awareness and the awareness of specific company divisions and product segments relevant to strategic actions. Furthermore, both indices should include values which compare the company with its strongest competitors and (in terms of image) with an ideal supplier.

**3. Comparability and comprehensibility**

Comparability and comprehensibility are major features of a practical index system. Comparability can be mathematically achieved through standardization. For better comprehensibility and easier interpretation, the range was defined as between 0 and 1.

**4. Benchmarking**

Benchmarking, i.e. being able to calculate indices for both the company and its strongest competitors, is the fourth and final requirement of a meaningful BSC index system.

The following illustration provides a brief summary of the most important characteristics of the BSC communication indexer®:

**Characteristics of the index tool and their mathematical-statistical realization**

**1. Clarity**

Only two indices: one image index and one awareness index.

**2. Completeness**

The two indices include all important information in the range of image and awareness

**3. a) Comparability**

The indices are standardized on the same scale.

**b) Comprehensibility**

The scale ranges from 0 to 1.

**4. Benchmarking**

The indices can be calculated for both the company and its strongest competitors.

To collect the data relevant to the calculation of both indices, an extensive and detailed questionnaire was constructed.

All of these reflections resulted in an index system consisting of only two indices, the awareness index and the image index. Both indices are standardized to the same range (0 to 1) and are therefore comparable with each other and also across different countries and several measurement dates.

They are not simple figures, but aggregated values, i.e. values that include a wide range of different information on image and awareness and summarize it all in one meaningful key figure. In addition to this, they include data which compares the company with its strongest competitors and (in terms of image) with an ideal supplier.

**Applying the BSC communication indexer®**

As mentioned above, a balanced scorecard aims at supporting the definition of strategic goals and helps to deduce the corresponding strategic arrangements. But how (in a second step) can the efficiency of strategic actions be evaluated?

First it is important to establish an efficiency criterion: a target value is defined on the basis of the results of the zero measurement. In the subsequent measurement, an evaluation of whether this criterion is met or not is performed.

Special indices (target indices) calculating the difference between the theoretical target value and the empirical value reached in the subsequent measurement help to evaluate the extent to which the objectives are achieved. As the image index and the awareness index are standardized on a scale ranging from 0 to 1, the differences can also be interpreted as percentages. Their algebraic sign and their values are criteria for the effectiveness of the strategic arrangements executed.

The illustration provides a simplified example of how the BSC communication indexer® is applied.

**Outlook for the balanced scorecard**

As a balanced scorecard assumes that all four processes interact with each other, looking at one perspective alone surely does not fit with the complexity of reality – a “complete” balanced scorecard has thus not yet been developed. The next important and challenging step would be to link the results of the BSC communication indexer® with the remaining three perspectives (finance, business processes, and potentials), to come up with possible interactions and to deduce further strategic goals and arrangements. In any case, the simpler the key figures used in this phase, the easier this challenging phase will be.

If you are interested in the BSC communication indexer®, please contact Ms. Heike König (phone: +49/89 9223 428, e-mail: heike\_koenig@de.rolandberger.com)