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SCHOOL OF BUSINESS, ECONOMICS AND LAW

Master Degree Project in Innovation and Industrial Management

KPI Management within an IT Consultancy Firm

A Single Case Study about Business Control at PdB

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Abstract

Knowledge is becoming a basis for growing wealth, where successful firms produce and spread new knowledge, which result in new technologies and products. A lot of knowledge is provided by the IT industry, which is an industry that lately has been subject for high competition where for instance many large-volume tasks have been offshored to India. Existing literature argue that the increased global competition has increased the need for companies to have great competencies in all of the organizational activities, in combination with a clear strategy and effective management; also referred to as business control. During the last decades concepts and tools such as *Benchmarking* and *The Balanced Scorecard* (BSC), has come to play a vital role within this field.

PdB data systems AB is a medium sized IT consultancy firm who provides a variety of IT based services and solutions. The company has a history of performing both positive and negative results during the last decade, even though the market conditions were considered as very promising during this period. PdB's CEO believes that it could be of interest to evaluate their current internal state in terms of the used measures and KPIs, in order to remain in a stable and competitive position within the market. Furthermore, the company is interested in turning their business control more externally, with a focus on PdB's performance relative to the IT consultancy market. The established research question that allowed us to investigate this case was: "*Considering current internal state of PdB and the industry conditions, what areas of the business should PdB's KPIs be focused upon*".

The study was conducted through a qualitative single case study with an inductive approach, where data was collected at our case company through several interviews and corporate documents. This enabled us to get an accurate picture of the internal state and the used KPIs at PdB. In addition, our case company was compared toward the IT industry by a set of chosen KPIs. The collected internal and external data was then analyzed against an extensive literature review. Consequently, this enabled us to highlight important areas of improvements at PdB, for instance concerning efficiency and future development of the company. One conclusion is that PdB has a considerable good business control at the moment. However, we discovered a couple of areas that lack vital KPIs that are connected to the strategy and vision. An answer to the research question was provided by using the Balanced Scorecard as a framework, which allowed us to provide aligned objectives, measures, targets and initiatives that can help our case company to ensure a correct focus of their business.

Keywords:

IT Consultancy Firms, Business Control, Balanced Scorecard, Performance Indicators, KPIs, Benchmarking, Service and Knowledge Companies.

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Table of Contents

| | |
|---|----|
| 1. Introduction | 1 |
| 1.1 Problematization | 1 |
| 1.2 Case Company | 2 |
| 1.3 Purpose and Research Question | 4 |
| 1.4 Delimitations | 4 |
| 1.5 Disposition | 5 |
| 2. Methodologies | 6 |
| 2.1 Research Strategy | 6 |
| 2.2 Research Design | 6 |
| 2.2.1 Literature Review | 6 |
| 2.3 Research Method | 7 |
| 2.4 Data Collection Primary Data | 8 |
| 2.4.1 Interviews | 8 |
| 2.4.2 Interview Respondents | 8 |
| 2.5 Data Collection Secondary Data | 10 |
| 2.5.1 Benchmarking Background | 10 |
| 2.5.2 Comparison of our Case Company with the IT Consultancy Industry | 10 |
| 2.5.3 Benchmarking Sources | 11 |
| 2.5.4 Key Ratios from SCB | 11 |
| 2.5.5 Key Ratios from Competitors | 11 |
| 2.5.6 Factors to Benchmark | 14 |
| 2.5.7 Comparison | 15 |
| 2.5.8 Corporate Documents | 15 |
| 2.6 Data Analysis | 16 |
| 2.7 Data Quality | 16 |
| 3. Theoretical framework | 17 |
| 3.1 Service & Knowledge Companies | 17 |
| 3.1.1 Critical Factors within Service & Knowledge Companies | 18 |
| 3.2 Performance Control | 18 |
| 3.2.1 Performance Indicators | 19 |
| 3.2.2 Key Performance Indicators | 20 |
| 3.2.3 Financial and non-Financial KPIs | 21 |
| 3.2.3 Leading and Lagging Measures | 22 |
| 3.3 The Balanced Scorecard | 23 |
| 3.3.1 The four perspectives of the BSC | 24 |
| 3.3.2 The Balanced Scorecard in Small and Medium-sized enterprises | 25 |
| 3.3.3 Creating the Balanced Scorecard | 26 |
| 3.3.4 Strategy and Performance Measures | 26 |

| | | |
|-----------|---|-----------|
| 3.3.5 | Selecting Performance Measures | 27 |
| 3.3.6 | Obstacles with Performance Measures | 28 |
| 3.3.7 | Improvements of the BSC | 29 |
| 3.3.8 | Critique toward the BSC | 30 |
| 3.3.9 | The use of BSC in our Study | 31 |
| 4. | Empirical Findings | 32 |
| 4.1 | PdB Data Systems AB | 32 |
| 4.1.1 | PdB’s Business Concept | 33 |
| 4.1.2 | PdB 2017 & 2018..... | 35 |
| 4.1.3 | PdB’s Position within the Industry | 35 |
| 4.2 | PdB from a BSC Perspective | 36 |
| 4.2.1 | Vision..... | 36 |
| 4.2.2 | Business Idea | 36 |
| 4.2.3 | Strategy | 37 |
| 4.2.4 | Financial..... | 39 |
| 4.2.5 | Customers | 40 |
| 4.2.6 | Internal Business..... | 42 |
| 4.2.7 | Learning & Growth..... | 46 |
| 4.2.8 | Summary of PdB..... | 48 |
| 4.3 | Benchmarking – Comparison between PdB and the Industry..... | 49 |
| 4.3.1 | Key Ratios of the IT Consultancy Industry | 49 |
| 4.3.2 | Comparison PdB and Competitors..... | 55 |
| 5. | Analysis | 61 |
| 5.1 | Important Factors for PdB as a High-knowledge Service Company | 61 |
| 5.2 | Performance Control at PdB | 61 |
| 5.3 | PdB from a BSC Perspective | 62 |
| 5.3.1 | Vision & Mission..... | 62 |
| 5.3.3 | Financial Perspective | 64 |
| 5.3.4 | Customer Perspective..... | 65 |
| 5.3.5 | Internal Business Perspective..... | 66 |
| 5.3.6 | Learning & Growth Perspective | 68 |
| 5.4 | Collective view of PdB’s KPIs | 69 |
| 5.4.1 | Financial and Non-financial KPIs at PdB | 70 |
| 5.4.2 | Leading and Lagging Measures | 70 |
| 5.5 | Financial Perspective in Relation to the Industry | 71 |
| 6. | Final Discussion & Conclusions | 73 |
| 6.1 | Conclusions..... | 77 |
| 7. | References | 78 |
| 8. | Appendix | 82 |

| | |
|-----------------|----|
| Appendix 1..... | 82 |
| Appendix 2..... | 83 |
| Appendix 3..... | 83 |
| Appendix 4..... | 84 |
| Appendix 5..... | 84 |
| Appendix 6..... | 85 |

Table of Figures

| | |
|--|----|
| Figure 1 - Thesis Disposition (Authors own)..... | 5 |
| Figure 2 - Respondents (Authors own)..... | 9 |
| Figure 3 - Introduction to Competitors (Authors own)..... | 13 |
| Figure 4 - Fields of the Literature (Authors own)..... | 17 |
| Figure 5 - The Classic Balanced Scorecard (Accounting Information systems, 2018) | 23 |
| Figure 6 - Integrated Balanced Scorecard (Intrafocus, 2018) | 31 |
| Figure 7 - PdB's Office in Jönköping (PdB.se, 2018) | 32 |
| Figure 8 - PdB's Organizational Structure (PdB Corporate Document, 2018) | 33 |
| Figure 9 - PdB's Logotypes (PdB.se, 2018)..... | 33 |
| Figure 10 - Common KPIs for PdB 2012-2017 (Authors own)..... | 35 |
| Figure 11 - Summary of PdB (Authors own)..... | 48 |
| Figure 12 - Asset Turnover ratio - Industry (SCB, 2018)..... | 49 |
| Figure 13 - Profit Margin - Industry (SCB, 2018)..... | 49 |
| Figure 14 - ROA - Industry (SCB, 2018)..... | 50 |
| Figure 15 - ROE - Industry (SCB, 2018)..... | 50 |
| Figure 16 - D/E Ratio - Industry (SCB, 2018)..... | 51 |
| Figure 17 - Solidity - Industry (SCB, 2018) | 51 |
| Figure 18 - Liquidity Ratio - Industry (SCB, 2018)..... | 52 |
| Figure 19 - Revenues per Employee - Industry (SCB, 2018) | 52 |
| Figure 20 - Personnel Costs per Employee - Industry (SCB, 2018) | 53 |
| Figure 21 - Personnel Costs / Revenue - Industry (SCB, 2018) | 53 |
| Figure 22 - EBIT / Employees - Industry (SCB, 2018) | 54 |
| Figure 23 - Summary of PdB's "Scores" - Industry (Authors own)..... | 54 |
| Figure 24 - Asset Turnover Ratio - Competitors (Retriever, 2018)..... | 55 |
| Figure 25 - Profit Margin - Competitors (Retriever, 2018) | 55 |
| Figure 26 - ROA - Competitors (Retriever, 2018)..... | 56 |
| Figure 27 - D/E Ratio - Competitors (Retriever, 2018) | 56 |
| Figure 28 - ROE - Competitors (Retriever, 2018) | 57 |
| Figure 29 - Solidity - Competitors (Retriever, 2018)..... | 57 |
| Figure 30 - Liquidity Ratio - Competitors (Retriever, 2018)..... | 58 |
| Figure 31 - Revenues per Employee - Competitors (Retriever, 2018) | 58 |
| Figure 32 - Personnel Costs per Employee - Competitors (Retriever, 2018) | 59 |
| Figure 33 - Personnel Costs / Revenues - Competitors (Retriever, 2018) | 59 |
| Figure 34 - EBIT per Employee - Competitors (Retriever, 2018) | 60 |
| Figure 35 - Summary of PdBs "scores" - Competitors (Authors own)..... | 60 |
| Figure 36 - Components of the conducted BSC | 73 |
| Figure 37 - PdB Balanced Scorecard (Authors own)..... | 76 |

1. Introduction

In this section we will present the background for our study, both from the academic and corporate point of view. The discussion will lead to our thesis' purpose, research question, limitations and the disposition of the study.

Companies of today operates in a world characterized by competition and globalization, where distance plays almost no role (Mikušová and Janečková, 2010; Ax et al, 2015). The more globalized the world becomes, the more the level of competition increases. Skilled managers face a complex business environment that comprises both opportunities and risks, which forces them to make effective business decisions, improve interpersonal relations and meet societal obligations with the right strategy (Chavan, 2009). Thereto, knowledge is becoming a basis for growing wealth, where successful firms produce new knowledge that is spread and result in new technologies and products. Furthermore, a lot of markets are under pressure from developing countries and a rapidly changing technology, which – from a competitive point of view – are becoming a threat to existing businesses (Mikušová and Janečková, 2010). The information technology industry (IT industry) is one industry that lately has been subject for this kind of competition, where many large-volume tasks have been offshored to for instance India.

Lindvall (2011) and Yigitbasioglu (2016) argue that the increased global competition has increased the need for companies to have great competencies in all of the organizational activities; not only the core activities. Companies need to have a clear strategy and need to be managed in an effective manner toward their goals. This type of control is called business control, which guides and coordinates a company in the right direction, and in addition helps the company to focus on all activities. Commonly, performance indicators plays a vital role within the field of business control. Examples of performance indicators are for instance the profit margin, customer satisfaction and return on assets (Lindvall, 2011).

1.1 Problematization

Measurement and performance evaluation stands for a very important part of management and has a central role within the field of business control. It is the management that formulates the strategies and thereby determine the direction of the organization. To have clear performance measures and evaluation criteria has become even more vital since organizations to a greater extent than before have to adjust to a continuously changing environment (Mikušová and Janečková, 2010). The main objective of business control is to contribute to the work needed in order to reach strategic objectives. Hence, the company's strategy is the starting point for the business control (Ax et al, 2015).

During the last decades, concepts and tools such as *Benchmarking* and *The Balanced Scorecard* (BSC), has come to play a vital role within the business control. These concepts have to a large extent been adopted by companies, and require collection of data from sources both internally and externally. Benchmarking is a tool for external comparison with other companies, a

concept that is getting more popular due to increased global competition. A BSC can be used to highlight different sides of the organization, and see how different perspectives relate to each other and to the overall strategy and vision (Ax et al, 2015).

Important aspects of the business control are the performance indicators, which often have an operational purpose such as signaling deviations from plans and expectations and to monitor the ongoing operations and thus ensure that objectives are met (Ax et al, 2015). In small and medium sized companies (SMEs), there are often limited resources for collecting and analyzing data, which leads to an uncertainty about the measurement objectives (Garengo et al, 2005). Evidence are found that in many cases there is a vague alignment between the corporate strategy and the measurements used (Addy et al, 1994; Chennell et al, 2000). Furthermore, the literature highlights that companies who are in a growth-phase often lacks a correct amount of control implemented, since the growth consumes too much resources (Duncan & Flamholtz, 1982). A benefit of the BSC is that it can be tailored for each part of the organization in order to assure their contribution to the overall corporate objectives (Chavan, 2009).

The BSC framework is developed by Kaplan and Norton (1990) and aims to integrate financial and non-financial key performance indicators (KPIs) with the corporate strategy and vision. The logic behind the scorecard is that what get measured is also what gets done, which enables an organization to adopt long-term thinking and survival as a contrast to the otherwise short-sighted accounting and reward systems. The BSC consists of four perspectives - Financial, Customers, Internal Business and Learning & Growth - and an implementation of this framework helps a company to identify, determine and monitor relevant objectives. The BSC is a kind of control mechanism that ensures that the company is keeping its right focus, thus prevents it from focusing on irrelevant parts of the business (ibid).

1.2 Case Company

Hardly anyone has missed the trend of digitalization, and the demand for IT consultants is bigger than ever before. Many industries that previously have not been very digital in their nature are now facing the need of business transformation in order to remain competitive within their specific industry. Some companies have already come far in their digitalization process, and now want to invest heavily in the latest IT technology, such as artificial intelligence or internet of things. According to the company Radar (2017) - who provide facts and statistics about the IT industry - the Swedish IT consultancy market grew with 3,6% during 2017, and the market is expected to continue growing during 2018. However, the competition is increasing and customers are becoming more aware of quality and prices, which increases the pressure on IT consultancy firms. In contrast, Radar states in a report from 2017 that due to the high demand in 2016, the market now shows increased prices for the first time in a long period. Furthermore, Radar stresses the fact that there are still a few factors pointing in the other direction, where increased salaries are a threat to the profit margins. For the upcoming year of 2018, the trends and driving forces of IT are: Increased digitalization, IT driven change, IT driven innovation, focus on optimization and automatization and new ways of producing and delivering IT (ibid).

PdB data systems AB is a medium sized IT consultancy firm that provides a variety of IT based services and solutions. The two recent years have been fantastic for the majority of IT consultancy firms, PdB included. However, the CEO states that times have not always been good for PdB; before 2015 the company had a few years that ended up in a negative annual result. The largest loss was during 2014, where PdB faced a lot of obstacles when their biggest customer chose to heavily reduce its business with PdB. This led to the hiring of a new CEO whose main assignment was to turn the company around and make it profitable yet again.

As a result of a major effort in diversifying the revenues – by attracting new customers and winning new contracts – the company showed a positive result once again in 2015. However, both the number of employees and revenues were reduced compared to the previous years. Since then, the focus of the company has been to improve the scope of services offered and on managing its current growth. The company believes that it is time to reevaluate some parts of their business control, namely the performance indicators that are currently used. Due to the large demand during the last years, the company's business controller has spent a lot of time as a consultant at the customers and thus has not had enough time for evaluating the current measures. However, the company has been very keen on collecting corporate data which is used for monitoring the business. Furthermore, the KPIs that the company is currently focusing upon have been used for several years. PdB states that these performance indicators and measures are used more based upon tradition and habit, rather than an actual alignment to the overall vision and strategy. Furthermore, the company is interested in turning their current business control a bit more external, with a focus on its performance relative to the IT consultancy market.

PdB believes that a more externally oriented business control could contribute to the current work regarding business performance and KPIs. Comparisons to competitors could be valuable in terms of providing information about where PdB stands in relation to them and to find which areas that PdB could improve. The most valuable information is believed to be found internally, but the company reckons that a benchmark and inspiration from the market have a potential of making their own management of KPIs more complete. Especially in terms of knowing what to focus upon and what to strive for. The company also sees the need for evaluating the internal business in order to create a better KPI management process. As mentioned above, the KPIs currently used might not be the most vital ones for the company's current overall strategy.

1.3 Purpose and Research Question

The purpose of this study is to investigate the KPIs used at a Swedish medium-sized IT consultancy firm named PdB. The goal is to evaluate the currently used KPIs and to investigate their relevance, and in addition potentially add some new KPIs to the existing ones. We will analyze the alignment between used KPIs and the company's strategy and vision, and try to improve this relationship. To enable this, the Balanced Scorecard will be used as a framework. The aim is also to compare our case company to the overall market to get their business control more externally oriented. A comparison of the market will lie as a ground to enable an investigation of our case company's figures and will enable us to see how efficient their current KPI management is in relation to competitors. Thus, it will visualize a picture of which areas should be focused upon for potential improvements.

This leads us down to the following research question:

Considering current internal state of PdB and the industry conditions, what areas of the business should PdB's KPIs be focused upon?

1.4 Delimitations

Our thesis is subject to a number of limitations. Firstly, we have geographical limitations concerning the issue of only investing companies on the Swedish IT consultancy market. This goes for both our case company and for our benchmarking companies. Secondly, we have a limitation regarding the collected data for our benchmarks, due to the limited amount of published information, for instance annual reports and similar.

Furthermore, we will create a balanced scorecard for our case company, but due to time limitations we will not be able to provide a strategy of how it should be implemented within the organization. A final limitation is that we were only able to interview managers at the case company, and hence no consultants were interviewed. This was partly due to time limitations for the case company, where a majority of the consultants had busy schedules. In addition, it was also due to time limitations for us, where we prioritized to interview the managers since they potentially possessed higher knowledge within the field of performance control.

1.5 Disposition

This thesis is divided into six chapters and is structured the following way:

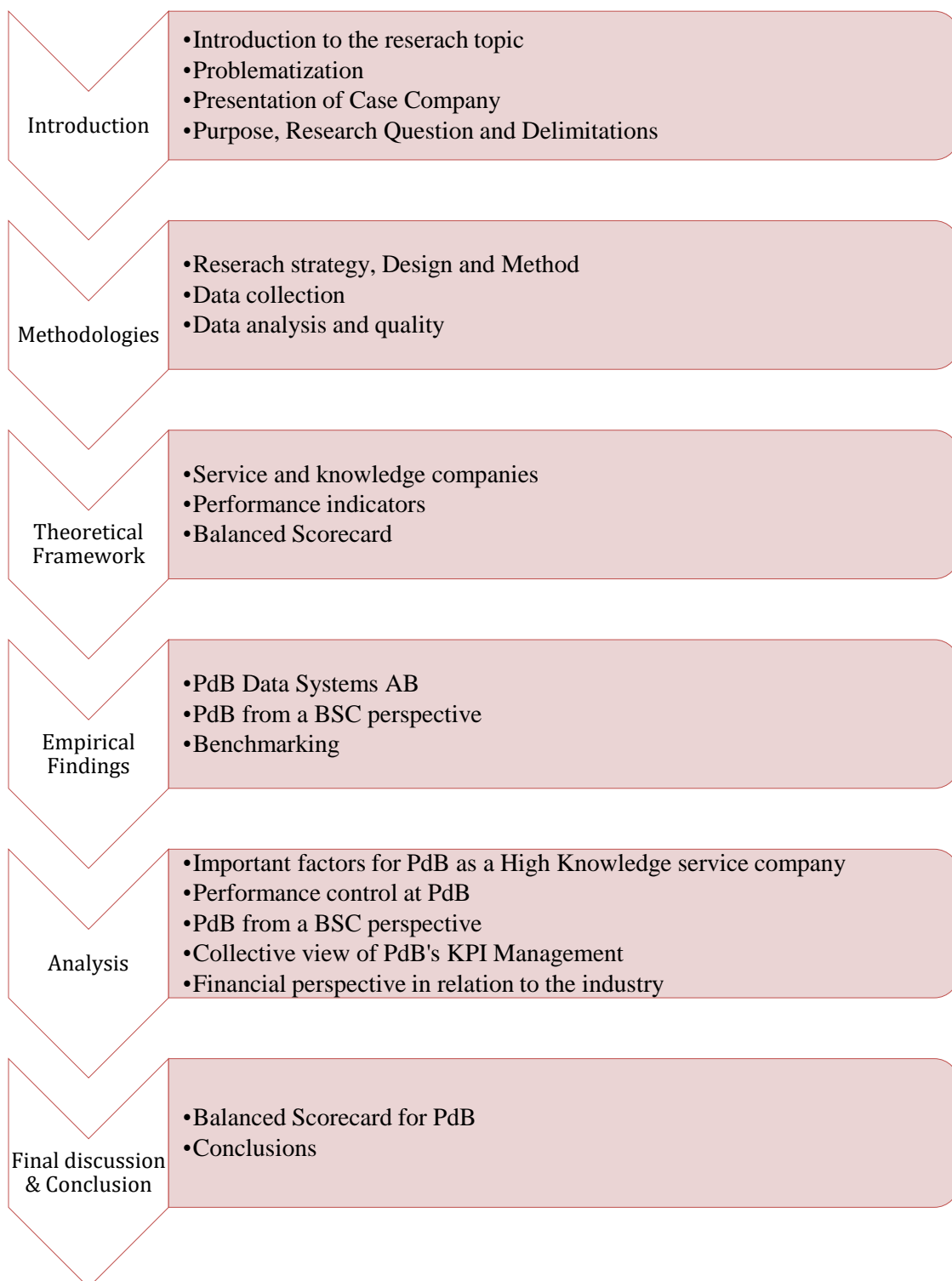


Figure 1 - Thesis Disposition (Authors own)

2. Methodologies

In this section we present the research strategy, design and methods that have been adopted in order to reach the objective of the study and provide an answer to the research question. We present motivations to our actions and show how our chosen way of working has been beneficial for our study.

2.1 Research Strategy

The aim of our study was to answer the following research question:

Considering current internal state of PdB and the industry conditions, what areas of the business should PdB's KPIs be focused upon?

The purpose of the comparison of our case company with the market was to make the business control more externally oriented. In order to answer our research question and fulfill the purpose, we as authors have used an inductive research strategy. The inductive approach is used when the research findings should generate some kind of theory. An opposite approach is the deductive one, which begins with an establishment of a theory and ends with the researchers being able to prove or dismiss the theory through conclusions derived from collected data. (Bryman and Bell, 2011). The inductive approach allowed us to collect and analyze data from several sources, in order to come up with a theory that enabled us to solve a corporate problem. The main sources of information were our case company PdB, the IT consultancy market and relevant existing literature. Since our study is considered twofold, in equal both showing how our case company is currently working with their performance indicators and what they potentially should do in order to improve them, we needed to use the inductive approach since it allowed us to collect findings and data that provided us with a useful theory for the matter.

2.2 Research Design

Since the aim of the study is to solve a business problem for the case company, the research design used is a single case study. According to Bryman and Bell (2011) a single case study gives the researchers a possibility to truly analyze several complex areas of a single case. The case that was investigated and analyzed in our study is the IT consultancy company PdB's internal alignment of strategy, vision, KPIs, targets and objectives. Furthermore, we analyzed our case company's performance relative to the IT consultancy market. Case studies is a popular and widely used method for conducting research (ibid). The collected data was of a rather complex nature with many different perspectives to take into account, which further makes the choice of a single case study optimal, as it, according to Bryman and Bell (2011), suits well when wanting to gather information about organizational processes.

2.2.1 Literature Review

The theoretical framework is based on a literature review that enabled our study to collect relevant research within our research field. Main areas that are covered in our theoretical framework are: business control (sometimes also referred to as financial or managerial control),

the balanced scorecard and performance indicators. Our main focus lies on the performance indicators - KPIs - and thus the largest part of our theoretical framework is devoted to the many aspects of this field. Furthermore, we chose to use the balanced scorecard as tool since it enabled us to visualize the important KPIs and to connect these to the overall vision, strategy and objectives of the company.

2.3 Research Method

Research strategies are commonly either deductive or inductive; for the inductive research approach, it is common to have a qualitative research method. The deductive approach – on the contrary - often requires larger amounts of data and thus more suitable with a quantitative method (Bryman and Bell, 2011). For this thesis we needed to use both qualitative and quantitative data, hence a mixed method approach has been used. We needed to collect high amounts detailed data from our case company in order to understand how they are operating and why, which made a qualitative strategy necessary. Qualitative strategies are suitable when a lot of information is needed about an object and quantitative strategies are better when a lot of data for a larger population is needed (ibid). Even though our study mainly had a qualitative approach, it required some quantitative data as well. The IT consultancy market was to some extent examined, and the data collected was more of quantitative than qualitative characteristics. This approach allowed us to collect more data from several external objects, which were needed in order to get a picture of the overall market. Quantitative data is hard to get as detailed and informative as qualitative data (ibid), but due to time restrictions of this project, it was considered the most suitable approach.

To sum up, we have conducted a single case study with an inductive approach, based on a combination of quantitative and qualitative data. In order to collect the needed data, a clear research method is needed, which represents the technique used for data collection. For our single case study, the collection of needed data was gathered through interviews, examining corporate documents and an investigation of corporate systems that are connected to the performance management process. This provided us with several sources of data, both in words and numbers, which lead to an analysis of the company that thus is considered accurate. In addition, a collection of quantitative data regarding the IT consultancy industry enabled a possibility to establish a benchmark that we could compare our case company against. This comparison consists of industry key ratios from Statistiska Centralbyrån (SCB) and figures from companies that have similar business models and offerings as our case company, i.e. competitors.

2.4 Data Collection Primary Data

The primary data for this study has been collected through several interviews at our case company. In qualitative research, unstructured and semi-structured interviews are common methods for data collection (Bryman and Bell, 2011). Unstructured interviews contain only a few very open questions and the interview more or less takes the form of a conversation rather than an interview. The semi-structured interview contains a list of broad questions, where the researcher has an interview guide which covers certain themes and is supposed to direct the interview over different topics. What characterizes the semi-structured interview is that the respondent has a lot of freedom in answering the questions, and that potential follow-up questions can be asked by the interviewer (ibid).

2.4.1 Interviews

For this study, all primary data has been collected through semi-structured interviews. Semi-structured interview guides are comprised of a set of questions and topics that the researcher wants to cover in the interview, but with enough freedom for the interviewer to ask follow-up questions and to elaborate on interesting answers (Bryman and Bell, 2011). This type of interviews ensured that we got the needed information about certain areas, and furthermore allowed the respondents to answer freely and bring up topics and answer questions not taken into consideration by us in advance. Since we knew beforehand what areas we wanted to go into, but did not know exactly what knowledge the respondents would possess, this type of interview guide allowed us to stay within the relevant topic as well as elaborating on interesting aspects that came up during the interview.

2.4.2 Interview Respondents

At the beginning of our thesis, we had a first phone meeting with the CEO to discuss the topic and aim of our study. Thereafter, we visited the company in Jönköping and had another interview with the CEO, the financial responsible and a business controller (*See Appendix I for interview guide*). The aim of this interview was to give us as researchers a better understanding of the company and its needs. This interview served as a basis for our theoretical framework and problem formulation, and guided us in choosing our other respondents. Based on this, we chose to interview employees within top management, i.e. the ones responsible for the performance and thus potentially have a good insight in the KPIs and measures that are used.

In total, we conducted 10 formal interviews with managers at the case company, apart from informal phone calls and mail correspondence with the CEO. The purpose of the phone calls and mail correspondence was mostly to keep the case company up to date with our progress and findings, and to get uncertainties clarified. The rest of the interview guides were constructed based on our theoretical framework, in combination with information provided from our first interview and an internal steering-document that stated each manager's area of responsibility. By interviewing employees that are connected to the company's performance management process, this method is thought to be highly suitable for investigating the research question most accurately. The following managers were interviewed and the

interview guides can be found in Appendix: Marketing Manager (*Appendix 2*), Finance Manager (*Appendix 3*), Sales Manager (*Appendix 4*), Business Controller (*Appendix 5*) and three Area Managers (*Appendix 6*). The majority of our interviews were conducted in a quiet meeting room at our case company, except for a few which had to be conducted over Skype due to the respondents' busy schedule. We had the ability to conduct interviews with all relevant managers, except for the manager of the business area "Consulting" who could not participate. All of our interviews are presented below in Figure 2.

| Interview nr | Present | Date | Duration | Place |
|--------------|---|--------|----------|--------|
| 1 | CEO | 02-feb | 30 min | Phone |
| 2 | CEO Business Controller 1 (BC1), Financial Manager (FM) | 12-feb | 120 min | At PdB |
| 3 | CEO | 20-mar | 65 min | At PdB |
| 4 | Area Manager Business Intelligence (AM1) | 20-mar | 65 min | At PdB |
| 5 | Area Manager E-solutions (AM2) | 20-mar | 65 min | At PdB |
| 6 | Area Manager Integrations (AM3) | 23-mar | 60 min | Skype |
| 7 | Sales Manager (SM) | 26-mar | 60 min | Skype |
| 8 | Marketing Manager (MM) | 27-mar | 60 min | At PdB |
| 9 | Financial Manager (FM) | 27-mar | 60 min | At PdB |
| 10 | Business Controller 2 (BC2) | 27-mar | 60 min | At PdB |

Figure 2 - Respondents (Authors own)

2.4.3 Transcription and Coding of Interviews

All interviews were recorded with the respondents' agreement. We decided not to take notes during the interview, but instead to transcribe the interview shortly afterwards. The motivation for not taking notes was that we wanted to ensure that we showed a good presence during the interview. In other words, we believed that not taking notes would make us more involved, listen better and ask better follow-up questions, which is a common strategy according to Bryman and Bell (2011). When transcribing the interviews, we conducted a partial transcription. A partial transcription means in our case that we listened to the recorded interview and wrote down the larger parts of it. However, we did not transcribe the interview word-by-word, except for direct citations. We saw no benefits from making a complete transcription, rather, the importance was to get the concepts and context right. Since all interviews were conducted in Swedish, the first transcription was in made in Swedish. The parts of the material we decided to use in our thesis was later on translated into English.

The collected data constitutes a major part of our empirical findings, which was divided into two parts; one part about the case company, its history, vision and strategy, and one part where we described PdB from the different perspectives of the BSC (financial, customers, internal business and learning & growth). The different interviews were color-coded and the material were then sorted into its relevant category. The result was gone through and edited several times until all the necessary information was in place.

2.5 Data Collection Secondary Data

The secondary data used in this study derived from sources such as the database Business Retriever and Statistiska Centralbyrån in order to get data about our benchmarking firms. Furthermore, we completed the information from our interviews with information from Corporate Documents.

2.5.1 Benchmarking Background

Benchmarking is a well-known and broadly used method for organizational improvement and development (Camp, 1993). The concept is frequently used within the fields of process improvements and performance measurement, for instance as a means to set organizational KPIs. The purpose of benchmarking is to constantly search for new ideas for methods, principles and processes, and to a full or lower extent apply these to the own organization. A cornerstone in the benchmarking philosophy is that there are always some companies that are more efficient and who possesses knowledge and methods that are better than other companies. To benchmark something means to set the whole or parts of the own organization in comparison to others, in order to compare, be inspired and consequently learn from others. The discoveries from the benchmarking can thereafter be implemented and used in the own organization (Ax et al, 2015).

Benchmarking is seldom oriented toward a complete business, but rather toward selected units and objects within an organization. There are no restrictions for what the benchmarking can or cannot include, but common areas are: revenues and costs, level of education, profitability, customer satisfaction, capacity-usage, reward systems and collaborations to mention a few. When the benchmarking is oriented toward the market or competitors, the work includes both benefits and hardships. Some benefits are that there are a large amount of objects to make comparisons to and very big opportunities of finding “best practice” and get innovative ideas. Some hardships with benchmarking is that it takes a lot of time to conduct and some information might be hard to collect. Benchmarking is also criticized for sometimes being unethical and that data companies do not want to share is used (Ax et al, 2015). To avoid unethical behavior it is important to consider the used data and to only use data that companies have agreed to share with the market.

2.5.2 Comparison of our Case Company with the IT Consultancy Industry

In order to find material that allowed us to compare our case company to the IT consultancy industry, more data than existing theory and interviews at the case company was needed. To get a clear picture of the market, we used benchmarking as a method for comparison and as a mean to find areas of improvement within our case company. The benchmarking that we conducted was limited to information that were publicly published by companies, such as on their homepages or information provided in their annual reports. Our belief is that our research question will be best analyzed by using both existing literature and research, in a combination with the information that can be found through using benchmarking as a method. Critical factors for us to take into account is that since the case study will be the main part of the study, the benchmarking cannot be too big or too time consuming.

2.5.3 Benchmarking Sources

Information for conducting benchmarking can be collected through many different sources, such as from industry-organizations, annual reports and similar information published by companies (Ax et al, 2015). We have used two sources of data for our benchmark. Statistiska Centralbyrån (SCB) presents data for different industries, and show the upper quartile, lower quartile and median value for different key ratios. We have looked at data for five years, 2012-2016, since the numbers for 2017 in many cases are not publicly available yet. We have also another group of companies, which consists of competitors with similar business models as our case company.

2.5.4 Key Ratios from SCB

SCB yearly presents packages of figures of how companies performs, where the companies can be divided into groups depending on for instance which segment they act within (SCB, 2017). This creates industry specific metrics that enables the readers to compare one company's KPIs to the industry as whole, consequently enable a visualizing of potential strengths and weaknesses. Hence, these figures enabled us to determine the case company's position in terms of performance within their segment.

We chose to look at data of companies that were defined by the SNI code 62020. SNI codes are codes that companies within a different industry is labeled with, where 62020 stands for IT consultancy firms. We choose to look at the package which exclusively included companies with 50-99 employees, since it is within this segment our case company is represented.

2.5.5 Key Ratios from Competitors

In addition to the data from SCB, we wanted to use a package of companies more accurately chosen to benchmark our case company toward. One reason for this was due to the belief that there could be big differences in business models at those companies that were within SCB's package. For instance, companies that are selling both consultancy services and IT products (such as hardware) will have a very different business model and financial numbers.

To find companies for our benchmarking we used the database Business Retriever, which has financial information about all Swedish companies. To find the relevant companies for the benchmarking, we used SNI code 62020; IT consulting companies. Since there are a large number of smaller firms and individuals that provide these kind of services, we chose to only look at companies with revenues at or above 50 MSEK. The reason for this limit was that we believed that companies below this limit were too small and thus not considered comparable to the case company. Both listed and non-listed companies were included. In total, this generated 666 companies. Important to note is that companies can have many SNI codes, and thus a lot of companies that were not IT firms (such as H&M or IKEA) were included in this list.

Since our case company is not selling any complete products (such as hardware or enterprise systems) we removed all companies that have posts of *Cost of Goods Sold* in their annual accounts, which reduced the number of companies to 356. The companies we wanted to find

for the analysis should be viewed as IT consultancy firms, be well-known within the industry and should provide the same type of services as our case company. However, we found it very hard to find exactly alike companies since many IT consultancy firms have offerings related to very different IT areas. For instance, some companies work with business intelligence solutions, some with cloud based solutions and others work with enterprise systems and so on. Many companies also offer a mix of different IT services which further makes it hard to distinguish clear similarities and differences.

With our criteria of wanting to find companies well-known companies who offer similar services as our case company, we went through the complete list individually and looked up each of the companies to see which ones we should keep and which ones to remove. Since this work was done manually with us determining whether a company lived up to the criteria or not, we felt that there was a risk that there would be flaws in our selection. Many companies were easy to remove due to large differences compared to our case company, and many companies were strikingly alike. There were also a lot of companies that generated uncertainties. Therefore, we compared our lists of remaining companies and discussed all dissimilarities. The final list was gone through once again, and at the end we had in total 84 companies left. Together with our case company, we chose nine companies that both parts felt most suitable and interesting for comparison. Many of the companies were larger, well-known IT consultancy firms that are direct competitors to our case company. In Figure 3 below, we present the business concept of our nine companies that we have used for comparison.

| | |
|-----------------|---|
| Netlight | <i>“Netlight provides genuine consulting services for leaders in the digital industry. The combination of competence, creativity and business sense is what makes Netlight stand out as a service provider, and are also the characteristics of each individual Netlighter.” (Netlight 2018)</i> |
| Biolit | <i>“Biolit is a company that provides services within software and acts as consultants. The Vision is to become the obvious choice of consultants within IT solutions. The company delivers services such as System Development, Front End, BI and Project Leading.” (Biolit, 2018)</i> |
| Accenture | <i>“Accenture solves our clients' toughest challenges by providing unmatched services in strategy, consulting, digital, technology and operations. With expertise across more than 40 industries and all business functions, we deliver transformational outcomes for a demanding new digital world.” (Accenture, 2018)</i> |
| HiQ | <i>“HiQ helps to make the world a better place by using technology and communication solutions to make people's lives simpler. We are the perfect partner for everyone eager to achieve results that make a difference in a digital world. We do work in multiple lines of business and the work we do varies from project to project. In the end though, it all boils down to making things better.” (HiQ, 2018)</i> |
| Capgemini | <i>“Capgemini understands that business value cannot be achieved through technology alone. It starts with people: experts working together to get to the heart of your individual business objectives and develop the most adapted solutions to fit these requirements. We believe this human-centered approach to technology is what makes the difference for your business. Capgemini enables you to transform your organization and improve performance. By bolstering your ability to harness the right technology, we help you become more agile and competitive.” (Capgemini, 2018)</i> |
| Acando | <i>“Combining deep technical knowledge with an understanding of human behavior, we innovate, streamline and mobilize organizations to achieve sustainable change. We don't believe in the traditional division between management and IT. In today's digital world, companies need to be able to break down that barrier to accelerate their transformation. Therefore, we too need a new approach to be able to help our clients. We believe in using technology as the driving force and in putting the end-user at the center of everything we do. We help our clients to improve their employee satisfaction, customer experience and their ability to drive innovation and to develop as a company.” (Acando, 2018)</i> |
| Knowit | <i>“Knowit AB is a consultancy firm that creates unique customer value in a world of accelerating digitization, by offering international solutions in three divisions – Experience, Insight and Solutions. What sets us apart is our ability to combine expertise in design and communication, management consulting and IT. Knowit is characterized by a thorough understanding of the customers' businesses, advanced expertise, and an appetite for continuous development. Knowit is idea-driven and encourages innovation, entrepreneurialism, and personal involvement.” (Knowit, 2018)</i> |
| Jayway | <i>“Jayway loves creative technology. We anticipate the future together and evolve your business. We can help you to play a meaningful role in your customers' digital lives. At Jayway we strongly believe in the open source community and we have a successful history of using it out in the wild. We constantly play with open source projects in a lot of different ways. As a gesture of gratitude to the community and a drive within us to share, we have contributed to and founded a number of projects under our wings, some of which we still support.” (Jayway, 2018)</i> |
| Precio Fishbone | <i>“We provide a complete range of support and management for developed applications. Security and the long-term approach are essential aspects of our client relationships. Not to discredit the technology, but what lays the foundation for the solutions we develop and what creates operational benefits for our clients are requirements analysis and the ability to understand organizational problems. Our specialists have an average of ten years of consulting experience and we provide high quality IT consultancy services within for example, requirement and organizational analysis, investigations and preliminary studies, architecture, development, project management and testing.” (Precio Fishbone, 2018)</i> |

Figure 3 - Introduction to Competitors (Authors own)

2.5.6 Factors to Benchmark

For both of our benchmarking groups, we have looked at 11 different key ratios. We have chosen to use key ratios that Johansson and Runsten (2014) state are important when focusing on profitability, which our case company to a large extent wants to. Important to take into consideration is that the ratios used have not been calculated by us. Instead, we have used the pre-calculated ratios from the database Retriever. The benefit of using these figures is that everything is calculated in the same way. The used ratios are very interlinked to each other, and thus we regard them as relevant for our study (ratio 1-7). Since IT consultancy firms are very personnel intensive companies (Ax et al, 2015), we chose to include ratios related to the employees (ratio 8-11). Below is a list of our key ratios and a short explanation of respective ratio:

- ***Asset Turnover Ratio***

The asset turnover (AT) is a financial ratio that measures the efficiency of a company's use of its assets in generating sales revenue or sales income to the company. The ratio is expressed in number of times, and is calculated as *Sales / Total assets*. Companies with low profit margins tend to have high asset turnover, while those with high profit margins have low asset turnover (Johansson and Runsten, 2014).

- ***Profit Margin***

The profit margin (PM) shows how large the margin is between sales and the result, i.e. how much of each sold Swedish krona will be left as earnings. The margin is expressed as a percentage and is calculated as *Earnings before interest expenses / Sales*. This ratio is connected to the AT ratio, and together the PM and AT ratio determines the Return on Assets (Johansson and Runsten, 2014).

- ***Return on Assets***

Return on Assets (ROA) is a measure expressed as a percentage that shows a company's profitability in relation to its assets, i.e. how well the company uses its assets to generate profits. ROA can be calculated in many ways, and one common way is to calculate it as $AT \times PM$ (Johansson and Runsten, 2014).

- ***Return on Equity***

Return on Equity (ROE) is a measure expressed as a percentage that shows how much of the earnings that are generated from the investors' invested capital, i.e. from the equity. The measure shows how much profit the company is able to generate from the money that the investors has invested in the company. ROE can be calculated in many ways, and commonly as *Earnings before tax / Equity* (Johansson and Runsten, 2014).

- ***Debt to Equity ratio***

The Debt to Equity ratio (D/E ratio) is calculated as taking *Debt / Equity* from the balance sheet. This ratio simply shows how much debt the company has relative to its equity. The D/E ratio is related to the ROE in the way that the higher the D/E ratio is, the higher the effect on ROE will be; which can be both in positive and negative terms. In other words, a high D/E ratio means a higher financial risk since it has a leverage effect on the ROE (Johansson and Runsten, 2014).

- ***Solidity***

The solidity shows how much of the assets that are financed by equity. It is calculated as *Equity / Total Assets*. The remaining part of the assets are thus financed by borrowed capital. The

solidity will increase if the borrowed capital is reduced, by reinvesting profit into the company or if the investors contribute with new equity (Johansson & Runsten, 2014).

- ***Liquidity***

The liquidity ratio shows a company's short-term solvency (Johansson & Runsten, 2014).

- ***Revenue per Employee***

Shows how much revenue each employee contributes with (Johansson & Runsten, 2014).

- ***Earnings before Interest and Tax per Employee***

Shows how much profit - before interest and tax - that each employee contributes with (Johansson & Runsten, 2014).

- ***Personnel Costs per Employee***

Since personnel costs are the largest cost for IT consultancy firms, it is vital to look at the average personnel costs per employee (Johansson & Runsten, 2014).

- ***Personnel Costs divided by Revenue***

Shows how large portion of the revenues that are used to cover the personnel costs (Johansson & Runsten, 2014).

2.5.7 Comparison

The data from SCB and from our nine comparison companies were put together in diagrams for each key ratio to show how our case company was performing relative to the others. The ratios were then summarized into two tables to provide an overview of how our case company was performing. One hardship with this compilation was that the data was shown for five years. Our case company had a very tough year during 2014 which made the numbers during this period highly negative, and this factor made it impossible to calculate a realistic mean value. Therefore, we used a qualitative scoring method. This means that we looked at the overall performance during the five years, and consequently put companies at the lower quartile, median or upper quartile based on the most frequently common score.

2.5.8 Corporate Documents

As a complement to our interviews, we have included data from a few corporate documents provided by the case company. The corporate documents gave a more objective picture of what the company wants to focus upon in total. The documents we have used are:

- ***Steering Document***

Shows the CEO's and top management's areas and responsibility. It is stated what they are expected to contribute with to the overall business and how this is done.

- ***Business Plan for 2018***

Show's PdB's expectations and objectives for this year, such as budget, which segments to target, expected revenue and profits etc.

- ***Monthly report***

A detailed report about the revenues and costs for the month. Comparison between budget and actual outcome.

- ***Customer and Employee survey***

The results of a quantitative survey that the company has conducted for its customers and its employees to measure the level of satisfaction.

2.6 Data Analysis

When using qualitative data, it is common that some obstacles arise, especially since the results often become very comprehensive (Bryman and Bell, 2011). Our analysis strategy is referred to as a thematic analysis, which is suitable when analyzing qualitative data. The data is coded, often directly after the first interviews are conducted, in order to become more easily to interpret (ibid). For our study, we started to code our interviews after they were transcribed. Since we decided to use the BSC as a framework, we structured each interview by the categories from the BSC (vision, strategy, financial, customers, etc.). Afterwards, we put it all together and started to shorten it down to the most vital parts. Each of the interviews was color-coded, as to keep track on what information that came from what interview. When all the empirical findings were put within its respective category, we started to notice subcategories and could thus divide the data further into these categories. This approach gave us a clear picture of what different employees had stated about our topics, and made it easy for us to write the result together.

2.7 Data Quality

When measuring the quality of the data, it is common to talk in terms of validity and reliability (Bryman and Bell, 2011). Reliability can be described as how consistent and stable something is over time, thus if our results are repeatable. Concerning this is a single case study, our results do have a high reliability within the scope of PdB. However, our results are most likely not applicable to other studies concerning other firms. Validity refers to if the correct indicators have been looked at or measured, and primarily applies to quantitative research methods (Bryman and Bell, 2011). Since our research study is heavily grounded on qualitative data, our validity could be questioned due to the lack of evidential calculations. Considering the wide scope of our interview respondents, whom all, to some extent, are involved in the operational business processes at PdB, we received a comprehensive picture of our case company's performance measures and processes. This could be seen as an indicator of the correctness of chosen indicators to focus upon. In addition, we believe that our semi structured interview guides decreased the role of importance of us as authors, since it gave the respondents more space to elaborate their answers, thus generating a higher data quality in terms of validity (Bryman and Bell, 2011). Finally, we based our choice of performance indicators for our benchmarking section on existing literature which provides support for our study.

3. Theoretical framework

In this section we present the literature that we have used for our study. We will go through existing literature regarding service & knowledge companies, business and performance control and the balanced scorecard. These areas of literature represent the fields that we have used for our study in order to answer our research question.

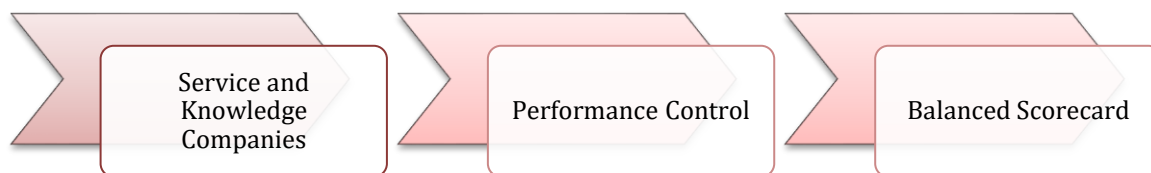


Figure 4 - Fields of the Literature (Authors own)

3.1 Service & Knowledge Companies

What distinguish service companies from production companies is factors such as number of worked hours and the occupancy of employees as the most important to account for, since these factors affect the revenues a lot. There are a wide variety of services, but a simple division is to distinguish between mass-services and assignment-services. For all services it is important to acknowledge that they are immaterial, that consumption and production occur at the same time, and the production takes place together with the customer. This makes it vital to carefully follow up customer behavior to get a hint of future demand, in order to match this with the corporate capacity (Ax et al, 2015). There are however some service companies who go under the term knowledge companies, and it is in this category that our case company fits within. According to NE (2017) the features that characterizes a knowledge company is that its resources to a large extent are based on the employees and their specific competencies. The “production” in these companies requires a high degree of knowledge and the solutions are often customized to fit the specific demand of a unique customer. In other words, the degree of standardization of the services provided is often considered very low. The majority of knowledge companies are found within the consultancy sector (ibid).

Knowledge companies generally have flat organizations and sometimes show characteristics of “management by walking around”. This means that managers get information about the operative business through informal channels and own observations (i.e. by walking around), rather than through formal information systems (Ax et al, 2015). If the knowledge company is within the category of Small and Medium-sized enterprises (SMEs), the used systems are often of a very simple characteristics, which becomes a problem when the workforce starts to increase to around 100 people (Andersen et al, 2001). Common is that in good times, too little time is spent on collecting data that can be used for organization analysis. Consequently, when the times changes, the company finds itself with too low amounts of data to be able to detect their problems. Hence it is of high importance that the internal accounting is prioritized even for knowledge companies, and that they use carefully chosen measures and KPIs that are in

line with the strategic objectives (Liukkonen, 2000). Ax et al (2015) also mention that the marketing is a bit different in knowledge companies compared to production or service companies; many times the marketing occur through the employees who interact and have long-term relations with the customers.

3.1.1 Critical Factors within Service & Knowledge Companies

Personnel costs and salaries are the largest cost drivers within service companies, hence it is important to closely make follow-ups to see how the time is allocated. The time that companies can charge customers is referred to as chargeable time; the non-chargeable time is usually used for education or internal time. The chargeability ratio is expressed as the difference between chargeable and non-chargeable time, and is an important parameter for service companies as changes in this ratio often have a large impact on the overall result (Ax et al, 2015). Ax et al (2015) further mention the following objects as vital for service companies to focus upon:

- Execution of services
- Service development
- Planning of orders, assignments and projects
- Quality insurance
- Presentation of projects and assignments
- Follow-up on projects and assignments
- Time-allocation
- Departments
- Documentation
- Customer segments
- Markets
- Employees

According to Anthony and Govindarajan (1998), there are some obstacles within knowledge companies that affects the business control. The authors mention that the employees might be very devoted to their assignments at the customer, but might not be as keen on providing detailed accounting for the exact time allocation. There is also a risk that employees with creative assignments do not consider the economic effects of their decisions. In some cases the employees might even “look down” on the management since they do not possess the same knowledge about the operative business as they do. These factors can lead to that an incomplete business control system is developed within the knowledge company.

3.2 Performance Control

Controlling the performance is a part within the field of business control (sometimes also referred to as financial control). The main objective of the business control is to contribute to the work needed in order to reach strategic objectives. Hence, the company’s strategy is the starting point for this type of control (Bedanand et al, 2014). A common objective for an organization is to grow and to be profitable over time. According to Johansson and Runsten (2014) the terms *Profit* and *Profitability* are two financial concepts that often are confused with one another. A profit is generated when a company provides a positive result at the end of the

year; an interest on the shareholders' equity. However, in order to know if the company is profitable this profit needs to be put in *relation* to something. This means that even though a company makes billions in profit, it does not say anything about the profitability of the company. In order to determine the profitability of a firm, the profit is often put in relation to for instance the equity which gives the *rate of return on equity; ROE*. ROE is one of the most common financial measures for profitability and the desired level of this indicator is decided by the owners of the company. The desired rate of return is dependent on how large the total risk is. The total risk consists of each company's business risk (related to for instance customers, products, operations and processes) and the financial risk (related to the financial policy, where larger amounts of borrowed money increases the risk). In other words, ROE will be affected both by the policies regarding for instance pricing, investment, market and product, and will in addition be affected by the financial policy as the financial risk will increase depending on the level of liabilities (ibid).

In order for organizations to reach corporate objectives, control mechanisms need to be implemented. Examples of common control mechanisms are for instance budgets, process controls, benchmarking and results planning. From a controlling perspective an organization is often described from a hierarchical point of view, where the control is used top-down (Ax et al, 2015). Performance measurements are an important part of the business control and can be described as a process where information is collected, reported and analyzed, with regard to the performance of the organization, a group within an organization, a system or an individual. The main purpose of these measurements is to control whether the actual outcome is in line with the expectations (Bedanand et al, 2014).

3.2.1 Performance Indicators

Performance indicators constitute a vital part of the business control. Each company have certain goals they want to obtain; owners want return on their invested money and the management want to invest the capital the owners have entrusted them with in the best way. In order to consciously influence and steer the company in the right direction, the managers of a company need a comprehensive understanding of the economic conditions the company is operating within (Karlsson, 2006). Performance Indicators are used in one way or another to ensure that organizations are going in the right direction. It is a concept of performance management, which enables evaluation and control of the overall business operations within the company. In addition, these indicators can be used to compare the performance of different organizations within the same industry. Performance indicators are built up by metrics - i.e. things that can be measured - and they can provide information about a certain condition (Smith, 2003).

There is an ocean of performance indicators that a company can choose to focus upon, but it is impossible to focus on all (Ohlsson, 2003). What performance objectives a company decides to set varies a lot from company to company, and it is often relation to what profitability the owners demand. Also common is that the objectives are set with regard to what the competitors are performing, which ensures that the company does not underperform relative to the industry (ibid).

According to Broadbent (1999), performance measurements often have an operational purpose, such as to:

- Monitor the ongoing operations and ensure that objectives are met.
- Provide information about how well operations fit in relation to the long-term plans and objectives.
- Work as a means of communication for the company about areas in focus; what is expected and what has been achieved.
- Encourage employees and managers.
- Signal deviations from plans and expectations.
- Give information about the effects of different actions.
- Provide guidance for provisions and bonuses.
- A foundation for future decision making and resource allocation.
- Provide signals about the company's surrounding environment, such as customer demands, technological development and competitors.

3.2.2 Key Performance Indicators

In the literature, the performance indicators that are the most important for an organization are often referred to as Key Performance Indicators, KPIs. In reality however, the term KPI is many times used regardless of whether the performance indicator truly is “key” or not (Ax et al, 2015). KPIs are to a large extent connected to the measurement of performance within a field, but they can also be used to show other relevancies, such as age or gender distribution, i.e. relevant areas where no performance has taken place. In this study, we use the term KPI regardless of if the indicator are tied to a performance or not, as long as it is important for the organization and its strategy and vision. According to Bauer (2004) the KPIs are the “true soul” of business performance management as they measure the health of the business as well as they ensure that everybody in the organization are contributing in the same direction. The author defines KPIs as “quantifiable metrics which reflect the performance of an organization in achieving its goals and objectives” (Bauer, 2004, page 63). This implies that KPIs should reflect the strategic value drivers, and not focus on random processes and activities.

Measurements on performance have been used by organizations for a long time. The main focus have always been on the financial measures, but already back in the 1980's this was strongly criticized for lacking sound information about quality, flexibility and responsiveness (Skinner, 1974). Further critique is that these measures cannot provide useful information about customer demands and how competitors are performing (Camp, 1989). Dixon et al (1990) criticize KPIs for being too historically focused, where managers want and need more predictive measures that can give indications about what will happen the next month or year (Neely, 1999). Kaplan and Norton (1992) recognize this critique, but as stated above they also point out that the financial KPIs have an important role to play, especially when they are connected to the operational actions.

The purpose of analyzing KPIs is to monitor and keep an eye on how well the company is using its resources, if the financials are in balance and to be able to track market conditions. The KPIs of competitors are also common to analyze in order to measure the relative development of the

own company, in terms of for instance growth and profitability (Carlsson, 2004). Furthermore, industry specific KPIs are often widely available, which can be used in order to compare the company toward its market (Nilsson et al, 2002). KPIs can be seen as a means that ease the business control and the analysis of a company, and they serve as a device for giving clear information about the company's financials. A commonly used way to get this information is by using the company's balance sheet and consolidated income statement, and put the information in relation to one another (Ohlsson, 2003). The conducted information provides the needed information about the company's financial situation, and highlights the strengths and weaknesses (Karlsson, 2006). Performance measures usually focus on past activities, meaning that the aim is to gather information to support the control activities rather than the forecasting and planning processes (Garengo et al, 2005).

3.2.3 Financial and non-Financial KPIs

KPIs are often divided into either financial or non-financial. At most organizations, the financial performance indicators are used most frequently, with a dominating focus on for instance profitability, results, costs and revenues. Non-financial KPIs are for instance customer satisfaction, chargeability ratio, number of handled invoices and average age or gender distribution. Even though they are called non-financial it does not mean they do not have a financial impact; it means that they do not directly focus on a financial metric, such as profit (Kald and Nilsson, 2000). Furthermore, it is common to involve non-financial performance indications in the measurements since they are closely related to weaknesses in the financial performance indicators. Kaplan and Norton (1996) provides many examples of why it is valuable to work with non-financial performance indicators:

- Financial KPIs are heavily focused toward already occurred happenings.
- Only using financial performance indicators increases the risk of having a too short-sighted focus.
- Strictly financial KPIs are often based on too aggregated information, which makes them hard to break down and easily find the true reason for deviations and improvement suggestions.
- Financial KPIs do not give any indication about how a company is interacting with customers and suppliers.
- Financial indicators do not provide enough information about factors that create value and future profitability.
- Strictly financial KPIs might be hard for employees to understand and relate to.

The corporate environment has been changing a lot lately. This brings about the importance of focusing more on competitive factors, such as customer orientation, employee satisfaction, quality, speed of delivery, high level of service and short delivery times. Unlike the strictly financial KPIs, the non-financial ones are much better at embrace and highlight these competitive factors (Kaplan and Norton, 1996). Focusing on non-financial measures can give managers a great picture of in which direction the business is going, before it is stated in the financials (Ittner and Larcker, 2003). According to the authors, many companies have a hard time dealing with these measures, especially since they have not made enough attempts at identifying which non-financial measures that would be beneficial for their strategy.

Furthermore, there seems to be a lack of a clearly identified cause-and-effect relationship between these measures and the financial ones, such as profit or cash flow (ibid).

3.2.3 Leading and Lagging Measures

Within performance management it is not only a concern regarding the division of KPIs into financial and non-financial indicators; it is also common to divide these indicators into lagging and leading indicators (Eckerson, 2006). Leading indicators are more task specific and thus easier to influence in short-term, while the lagging are more results oriented indicators (Smith, 2003). Thus, leading indicators are more focused on the future, opposite to the lagging indicators which are more focused on events that have already taken place. Eckerson (2006) say that the leading KPIs are often very important to include in a performance dashboard for the organization, but the author also acknowledges that they are often difficult both to define and measure. As an example, a leading indicator that both employees and managers can influence could be “number of sales meetings within the upcoming two weeks”, which gives a lot of time to affect the outcome. On the contrary, lagging indicators could for instance show the last month’s profit, but generally do not provide any information about future performance (Simmons, 2000).

Kaplan and Norton (2001) are two authors that also focus a lot on leading and lagging indicators. They argue that the most important leading indicator is related to customer satisfaction, since if the customers are satisfied today - they will most likely come back tomorrow. Satisfied customers are also more likely to recommend the firm to others and are also more willing to accept increased prices. This of course have a great impact on the financial result. The authors also argue that customer satisfaction is both a leading and lagging indicator. It is leading in the sense that it is predictive about the future. But customer satisfaction can be said to be a result of employee satisfaction, i.e. a result of how satisfied the employees are, and from that perspective it is a lagging indicator. So whether an indicator is leading or lagging is therefore often depending on the context (ibid).

To summarize, lagging indicators are the result of activities carried out at the company, such as revenue, profit and costs, and have the characteristics of being (KPILibrary, 2018):

- Output oriented
- Easy to measure
- Hard to influence
- Often financial

Leading indicators are often undertaken by the employees. These indicators are more focused toward affecting the activities that will have a certain output. If a certain output is desired (lagging indicator) this have to be broken down into smaller activities that can be influenced. Those are the leading indicators, and they have the characteristics of being (KPILibrary, 2018):

- Input oriented
- Hard to measure
- Easy to influence
- Often non-financial

3.3 The Balanced Scorecard

One of the most famous systems for integration between financial and non-financial KPIs is the balanced scorecard, BSC, from Kaplan and Norton during the 1990's. It was developed as an attempt to adopt long-term thinking and survival as a contrast to the otherwise short-sighted accounting and reward systems. The BSC aligns the corporate vision and strategy with the KPIs, and the logic behind the scorecard is that what get measures is also what gets done. The BSC is a strategic measurement system, but Kaplan and Norton (1996) points out that it is also a strategic control system. This control system can be used to:

- Clarify and spread the consensus about the strategy.
- Connect goals of departments and individuals to strategy.
- Align the strategic objectives to the long-term objectives.
- Identify and align strategic initiatives.
- Collect feedback to learn about and improve strategy.

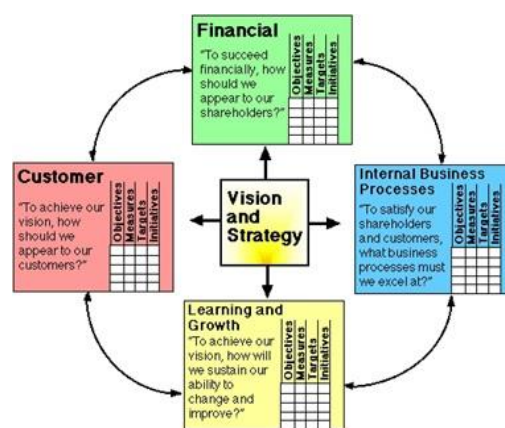


Figure 5 - The Classic Balanced Scorecard (Accounting Information systems, 2018)

As seen in Figure 5, the classical BSC is divided into four perspectives; financial, internal processes, organization & learning and customers. In other words, this is a system that collects all the needed factors for moving from one point to another. When achieving a good performance on the measured KPIs, there needs to be a reward system linked to this in order to reward desirable behavior. With this in mind, the company ensures that learning and development is in focus and thus follows the direction which has been determined within the BSC (Kaplan and Norton, 1996). The reason for developing the BSC was that the authors believed that the traditional financial performance was well suited for the industrial era, but that these financial indicators lacked the ability to reflect and manage the skills and competencies needed in companies (Kaplan and Norton, 1992). The BSC has received a lot of critique - which will be discussed more in detail below - but according to us, it captures the most important elements within the business control and we appreciate that the scorecard visualizes what a company is currently focusing upon from more than one perspective.

3.3.1 The four perspectives of the BSC

The original BSC have four perspectives which are linked to the vision and strategy. These perspectives are then divided into long term objectives, measures that will ensure that these objectives are met, concrete targets and initiatives that a company has to make in order to reach the targets. Kaplan and Norton (1992) describes the perspectives as follows:

The Financial Perspective - A measure of the financial performance of an organization gives a good picture of how the implemented strategy and execution are actually contributing to the bottom-line, i.e. the earnings of a company. Examples of what gets measured from the financial perspective are profitability, growth, monthly revenues and shareholder value. Even though the financial measures are criticized for being too short-sighted and backwards-looking, they are also very valuable when it comes to controlling the company and can be viewed as a receipt that the operational actions taken are correct. The importance when using financial numbers is to investigate what operational actions actually have a positive effect on the financial numbers, and which ones that does not have the desired effect.

The Customer Perspective - Many goals related to customers concern time, quality, performance & service and costs. There need to be clear goals connected to these areas, which are translated into specific measures. It could for instance be to get products to market sooner, or to enable customers to get their products to market sooner. It is important to ensure that the own measures and definitions of a certain performance, is in line with the customers' definitions.

The Internal Business Processes Perspective - The customer specific measure are very important, and this internal perspective reflects upon what the organization must do internally to be able to live up to these expectations. This perspective should collect all the goals and measures of the internal operations that are necessary in order to deliver what the customers want, thus derive from the processes that have the most impact on customer satisfaction. Examples of this can be quality, employee skills, core competencies, productivity and needed technologies. A lot of the measured goals within the internal perspective are factors that the employees can influence by their individual actions. By communicating these targets and needed actions to the employees, the manager's ensure that each individual knows how he or she is affecting the overall objectives of the organization.

The Learning and Growth Perspective - The two previous perspectives are those that the organization sees as the most valuable for a competitive success. However, the target for success is constantly changing due to global competition, new technology, new methods and changed demands. This fourth perspective covers the need of the company to continuously innovate, learn and improve its business. By improving products, finding ways to create more customer value and increasing internal efficiency, a company can reach new markets and increase current margins and revenues. Examples of measures that can help to improve the goals in this perspectives are to investigate number of missed deliveries, process defects or internal education.

3.3.2 The Balanced Scorecard in Small and Medium-sized enterprises

According to Andersen et al (2001) there are some differences between what the BSC can provide to a large respective smaller organization. However, the authors state the following benefits that serve the both kinds:

- The BSC provides a clear sense of direction, by its way of translating long-term strategic goals into short-term activities.
- The BSC gives a good understanding of the business model, and forces managers to use a holistic view that covers all parts of the business.
- The BSC increases the ability to focus and prioritize, by focusing on a defined future destination and the strategy that will make this reality.
- The BSC increases the organizational agility by regularly keeping an eye on the organization and if it is doing what is expected to do, and serve as a base for decisions about changes both in the internal and external environment.

The degree of strategic planning in organizations have been proven to have a direct impact on the business performance. For small and medium-sized companies (SMEs) there might be a challenge in matching the requirements for this kind of planning, and at the same time maintain the competitive advantage which comes with being small, flexible and highly responsive. Andersen et al (2001) points out that there is a difference in how BSCs are used in large companies and how it should be applied to SMEs. A lot of the coordination and control within smaller organizations are handled informally by direct instructions, which minimizes the need of formal control systems. This is one of the smaller organization's key strengths, and allows it to be flexible, responsive and keep a low cost structure (Mintzberg, 1981). These factors will impact the way the BSC should be designed and implemented and since the organization is smaller and less complex, the process is often easier to handle. One could say that for a large organization, it is vital to have a collective approach when for instance implementing a BSC, which means that both the strategic and operational aspects need to be equally involved (Mintzberg, 1990). In a smaller enterprise, this is not equally vital since the smaller organization is easier to handle by a smaller number of managers. However, an enterprise within the medium-sized category is immediately getting more complex and thus it becomes more important to ensure that employees behavior are aligned with the strategic goals (Andersen et al, 2001).

Large organizations need a much more formal measurement system for its BSC. The smaller organization's measurement is usually not as formal as the one in the large organizations, mainly because of the limited size of the company, which makes it easier for managers to be aware of the performance related issues (Mintzberg, 1981). Nevertheless, this does not mean that measurements are unimportant for SMEs, on the contrary it is highly recommended to have at least some measurement where targets are set and followed up. If a BSC should truly reach its full potential, it needs to be used. All the other planning and monitoring activities at the company needs to take their starting point from the BSC, as to ensure that the strategic approach is included in those parts, i.e. within the budget (Andersen et al, 2001).

3.3.3 Creating the Balanced Scorecard

Using a BSC is supposed to help a company identify, determine and monitor relevant objectives. It is a kind of control mechanism which secures that the company is keeping the right focus, and thus not start to focus on irrelevant parts of the business (Kaplan and Norton, 1996). Kotter (1996) argue that a necessary step when deciding organizational activities is to create a clear idea about what the organization is trying to achieve. Shulver et al (2000) contributes by stating that a good idea can be to visualize what the organization will look like on a determined future date. In order to achieve this, it can be of help to create a BSC since it plots out a lot of the necessary factors. According to the founders Kaplan and Norton (1996), the process of creating a BSC consists of three phases:

1. Identify the corporate vision. The vision of a company can be described as the idea of what the company wants to become or where it wants to go. It can also be aligned to what the company wishes to be viewed as by the surrounding market.
2. The vision is the base from where the strategy is formed, i.e. in this phase the vision is clarified and translated into a strategy. The strategy usually span over all of the four above-mentioned perspectives that the BSC consists of. Worth to note is that those four perspectives can be changed and designed to better fit the own company. For instance in Sweden, it is common to also include the perspective of the employees.
3. When the strategy is set, the next step is to identify objectives within the chosen perspectives. These goals should be concrete and express what strategically needs to be obtained. The goals also need to have concrete KPIs aligned to them, as a means to easily detect changes or deviations. Furthermore, it is vital to make an attempt to imagine the KPIs and goals from a cause-and-effect perspective.

Nørreklit (2000) states that it is both an interesting and relevant approach to use and implement a BSC since is not limited to only financial measures. Important to note is also that a successful implementation of a BSC is to a large extent up to the managers' commitment to it (Andersen et al, 2001).

3.3.4 Strategy and Performance Measures

While the aim and purpose of why KPIs are implemented in companies is similar, the indicators as such differs from case to case (Browne et al. 1997). There is a large variety of performance indicators used in reality, and these can be measured in many different ways. Common performance areas that usually are subject for measurement are: Finance, Customers, Employees, Time, Productivity, Efficiency Quality and Sustainability. Numerous researchers have suggested several different categories of indicators that have been relevant in their specific case studies. The differences comprises of different approaches to performance management as whole, but also in terms of including and elaborating both financial and non-financial measures (White 1996).

The literature mostly agree upon that each organization needs to determine its own performance indicators and measures that are strategically relevant to its respective situation. This in fact leads us to the usage of the term "best practice", which commonly is referred to as the one practice that generally outcompetes others. Parmenter (2009) argues that this term is misused,

especially since best practice in one organization does not necessarily comprises best practice in another, albeit they operate in the same industry. Thus, occasionally the term “better practice” fits better in the context of single case studies, since it undertakes the key business activities within a firm, and following how these are managed efficiently and effectively. Within organizations, the term performance relates either to what has been done or what needs to be achieved in the future. Performance measurement is when different aspects of the performances is measured and evaluated, and these measurements are usually a number that provides information about a certain performance (Mossberg, 1977).

A KPI in itself is not very useful; it needs to be compared to something before it can fulfill its purpose. When comparing a company’s KPI during different time periods, or to other companies, the KPIs become a very useful tool (Ohlsson, 2003). To understand why performance indicators are important, one needs to go back to the basics of a company; a company exists in order to reach some kind of objective. Many of the main objectives for corporate organizations are to be profitable and to grow, but there are also other equally important objectives that are more directed toward for instance customers, employees, suppliers and society (Ax et al, 2015). According to Ittner and Larcker (2003) it is a commonly made mistake to not link the measures to strategy. Different indicators might be important for different companies; a company who works within retail and a company who works in the oil industry will most likely not focus on the same indicators. So a ground rule when choosing KPIs is that the ones chosen should be of value for the company. Management should also reflect upon if chosen KPIs will continue to be relevant over time (PWC, 2007). Even though the strategy must be considered, it is also vital that the operational aspects are in focus. For SMEs the operational aspects are often critical for the success of the company (Garengo et al, 2005).

3.3.5 Selecting Performance Measures

Normally when determining KPIs, a company’s main objectives are broken down into several different sub-targets. These sub-targets have different characteristics and are oriented toward different units of the company, and it is in these sub-targets that the performance measurements have their starting-point (Ax et al, 2015). In a report from 2007, PWC stated that many companies have questions regarding what KPIs to use and how many. To provide an answer to this, they say: “The starting point for choosing which performance indicators are key to a particular company should be those that the Board uses to manage the business. In our experience, many Boards tend to receive financial performance indicators, even though they may be communicating strategies such as maximizing customer experience, or attracting and retaining the best and brightest people.” (PWC, 2007, page 8). Also Bauer (2004) acknowledges the hardship of choosing the right KPIs. For knowledge companies, the available and charged time are important factors to measure as the revenues are directly related to this. This means that the personnel cost is large, and answers for around 50-70 % of the total costs (Liukkonen, 2000), which makes follow-ups on the used time very critical.

In order to ensure that a company’s performance indicators fulfill its purpose, one needs to ensure that the performances that are measured can be related to the company’s strategy. This

is because not everything that is performed within a company can be viewed as equally important from a strategic viewpoint (Ohlsson, 2003). Once the most important performance indicators have been pointed out, performance objectives should be established. Some examples of performance measures and performance objectives provided by Ax et al (2015) are:

| | |
|-----------------------|--|
| Return on equity | ROE should be 15 % for the year |
| Sales | Sales for the next quarter should be at least 3 MSEK |
| Lead time | Maximum one week's lead time from received order to delivery |
| Customer satisfaction | Minimum 4, on a scale of 1-5 |

Since KPIs will align all levels of a company, a performance management program is highly dependent on choosing the right KPIs. If the wrong KPIs are focused upon, a counterproductive behavior might occur within the organization. According to Bauer (2004) the trick here is to be able to distinguish between what are only metrics and what are truly KPIs. The author suggest that the management should go through the following questions when choosing KPIs:

- What should be measured?
- How many metrics should there be?
- How often should something be measured?
- Who is accountable for the metric?
- How complex should the metric be?
- How do you normalize the metric?
- What should be used as a benchmark?
- How do you ensure that the metrics reflect strategic drivers?

It is important that the employees are well aware about the company's objectives and how to reach them. Therefore, it is often a good idea to use some kind of dashboard where the company's KPIs are expressed in an easy-to-understand manner. This is yet another reason for why it is of high importance to carefully choose KPIs; since they guide the employees' performance (Eckerson, 2006). Important to acknowledge is that in reality, performance measurement takes place even though there is not a set goal tied to the performance. This kind of measurement often plays the role of a signaling system, which provides information about deviations (Ax et al, 2015).

3.3.6 Obstacles with Performance Measures

Selecting a set of KPIs that are relevant for the strategy might sound obvious, but in reality this is a rather complex process. According to Ittner and Larcker (2003) and Becker et al (2001) it is very common that companies simply chose a bunch of KPIs that are not very interconnected. Neither are the non-financial measures sufficiently connected to the future financial results; the company is simply assuming that a certain behavior will have future economic effects. Ittner and Larcker (2003) further state that if the company does not have a sound policy for the KPIs to focus upon, managers might in some cases chose some KPIs themselves depending on what the expected results these will show. Furthermore, it is common that companies do not realize the true effect of a goal; an extraordinary result in one financial or non-financial KPI might not

necessarily mean that it will have the desired effect. As an example there is a link between customer satisfaction and revenues, but this does not necessarily mean that the company should strive for a customer satisfaction degree of 100 %. To achieve 100 % might be very costly, but do not necessarily have an increase in the revenues. Therefore, it is of high importance to investigate what the targets should be and what implications different levels might have. The authors have discovered that a root cause for making measurement errors are that it is hard to discover which of the non-financial indicators that will have a great effect on the long-term economic performance. To be able to discover this, a large amount of data is necessary, which can be used for testing hypotheses and find correlations between different results (ibid).

Eckerson (2006) stresses the fact that just as KPIs might be very successful and truly put the company in the right direction, they might just as well get companies in the wrong direction if they are not carefully chosen. Consequently, KPIs need to be treated with respect. It should always be evaluated whether a set of KPIs truly are an exact translation of the company's strategy and objectives into concrete actions. If not, the whole organization risk to be sub-optimized where efforts in one place will be harmed by the results of another unit. The author says that KPI teams might spend months on collecting and analyzing data, and still not get it right. To get it right, the implemented KPIs need to be evaluated afterwards and adjusted if the outcome of them is not as desired (ibid).

3.3.7 Improvements of the BSC

As mentioned in the introduction, skilled managers face a complex business environment that on one hand is full of opportunities but on the other hand consists of a lot of risks, where they have to make effective business decisions, improve interpersonal relations and meet societal obligations with the right strategy. A benefit of the BSC is that it can be tailored for each part of the organization so they can contribute to the corporate objectives (Chavan, 2009). From a case study conducted by the author, it was concluded that different organizations will have different needs, and thereby significantly different BSCs.

Since the presentation of the first BSC in 1992, a lot of researchers have developed the framework and in addition several changes have been made for various reasons - by researchers as well as practitioners - in order to make the BSC to better fit an organization's needs. Other improvements have been made in an effort to deal with some of the criticism that has been pointed toward the original idea. On the other hand, the BSC is a practical tool, which means that it is used differently by different companies to suit their respective business (Lawire and Cobbold, 2004; Perkins et al, 2014). This implies that changes from the initial model is necessary in order to make the BSC fulfill its purpose.

Perkins et al (2014) states that the aim of all the suggestions for improvement of the BSC has been to create a scorecard that is the most effective in improving performance. I.e. for an organization to be able to manage its assets better and to reduce costs through increased understanding of the business environment. As mentioned above, there are a lot of different versions of the BSC available. Just by googling the term "balanced scorecard" thousands of different pictures of this scorecard will be presented to the searcher. Perkins et al (2014) argue

however that later versions of the BSC is not necessarily better than the older ones; they are simply different and suit different businesses. The authors also state that the BSC is no magical tool that will be successful all by its own; it needs to be carefully implemented as to fit the needs of the company. The picture below (Figure 6) shows a newer version of the BSC called “an integrated balanced scorecard”. As can be seen, this involves all the elements that can be found within a strategy, from the vision to the measure, targets and initiatives needed to fulfill the mission. We believe that this integrated BSC gives an even better picture of a company and its business, since it is very clear where the overall focus should be.

3.3.8 Critique toward the BSC

Models that have a holistic perspective are often much criticized by other researchers, and the BSC is no exception. The word *Balance* has been under discussion and many authors have investigated however there truly is a balance or not. Sundin et al (2010) suggests that it might be more accurate to focus on the verb *Balancing*, implying that the different objectives should be viewed as an ongoing process where the aim is to always strive for some kind of balance between them. Nørreklit (2000) provide a critical analysis of the BSC, where Kaplan and Norton (1996) are criticized for their use of cause-and-effect within the BSC. According to Nørreklit (2000), Kaplan and Norton do not specify enough how this cause-and-effect relationship works. Also Donaldson (1984) is skeptic toward using supposed cause-and-effect relationships between managerial measures in general. The author takes an example between development of internal processes and a good financial result; a good financial result is indeed needed when wanting to improve internal processes, but improved processes are also needed in order to achieve a good financial result. In other words, there is not cause-and-effect relationship but rather an interdependence between the different factors within the BSC. There is a need for a more circular reasoning, rather than a strict cause-and-effect reasoning. Nørreklit (2000) adds that the relationships between the different perspectives in the BSC can be described as logical, rather than casual. The author recommends having this logical approach, where there is a coherence between different factors, when trying to apply the BSC to an organization. This is in line with Sundin et al’s (2010) empirical findings, which showed that managers using the BSC viewed the objectives from a logical point of view, with a focus on continuously balancing them.

Furthermore, there might be issues regarding potential competing and/or conflicting objectives within the BSC, which is not elaborated within the original BSC. Different organizational stakeholders have different objectives, which sometimes are competing with each other. However, in a case study of Sundin et al (2010) they found evidence that the BSC has a potential to help managers making tradeoffs in decision making and balancing the objectives. In order to succeed with this balancing process, the authors suggest:

- Identifying the stakeholders and their goals
- Try to find a balance between these different goals
- The balance needs to be considered both in terms of the outcomes, but also in terms of the processes needed to achieve the outcomes

3.3.9 The use of BSC in our Study

For our case study, the main reason for choosing the BSC approach is to get a holistic system that covers the most necessary parts of the financial control, where the most important performance indicators are detected and connected to the overall vision and strategy of the company. We believe that the critique regarding the cause-and-effect relationship is justifiable, and we rather want to view the relationships between the perspectives within the BSC as interdependent - as suggested by Donaldson (1984) - and that there is a more logical relationship as suggested by Nørreklit (2000). The reason that we discard the cause-and-effect relationship is simply because we believe that such a relationship will be very hard to prove and also because it is not our intention to deeply investigate which action that will lead to what outcome. Additionally, this makes us being fond of Sundin et al's (2010) suggestion about viewing the BSC as a process of balancing, instead of trying to achieve the perfect balance.

| | | | |
|--------------------|--|--|--|
| Vision | Transforming society through the provision of ultra-high speed mobile information services | | |
| Mission | The number one provider of ultra-high speed mobile information networks across the United Kingdom and Europe | | |
| Strategic Priority | Content Partnerships | Customer Service | Brand Awareness |
| Strategic Result | Strong supply chain for entertainment and information services, exclusive agreements | Clarity in offering that surpasses anything in the market today, best user interface | Reinvigorated brand based on successes, attract a wider and younger audience |

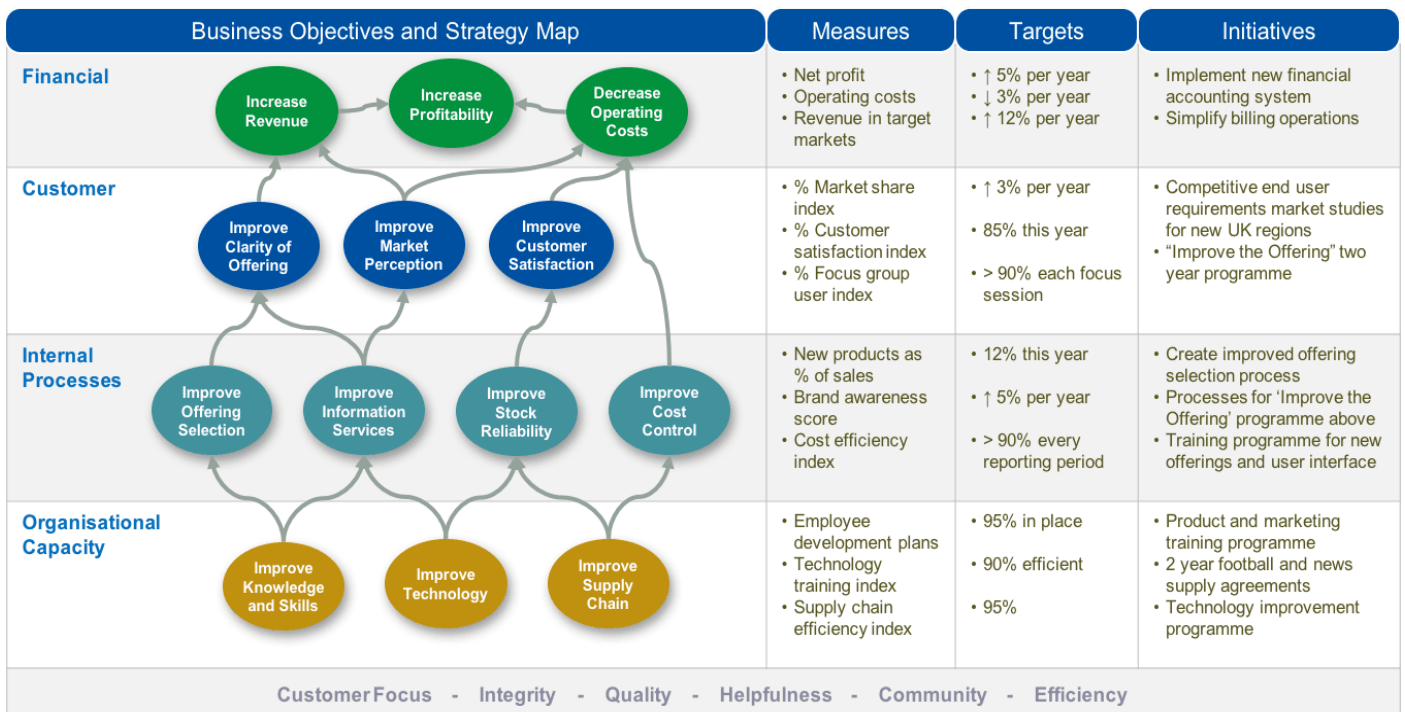


Figure 6 - Integrated Balanced Scorecard (Intrafocus, 2018)

Figure 6 shows an alternative design of the BSC, which is the design that we will use in our study. This BSC is more clear than the original (Figure 5), and gives according to us a better picture of how the different areas are connected to each other.

4. Empirical Findings

In this section, we present our empirical findings that we have collected through interviews, corporate documents and from the IT consultancy industry. In the first part, we present our findings from our case company. The second part consists of our data from the IT consultancy industry, where we benchmark our case company against the market and its competitors.

4.1 PdB Data Systems AB

PdB data systems AB is a medium sized IT consultancy firm founded in Jönköping in 1983, and is today present in Stockholm as well. The company has 69 employees; Stockholm is a smaller office, with seven employees, compared to Jönköping where more than 60 employees work. Currently the company has ongoing recruiting processes, so the number of employees is increasing. Furthermore, the company works with smaller sub-consultants, where the company can either adjust its capacity to current needs, or get hold on rare competencies that its own consultants do not possess. However, the CEO believes that in the future PdB will most likely work more with larger companies and have a larger focus on collaborations. PdB serves customers such as large companies, global organizations and the public sector, where the majority of the customers are producing or distributing companies.



Figure 7 - PdB's Office in Jönköping (PdB.se, 2018)

When new employees start at PdB, they get offered to buy shares within the company. The company is completely owned by current employees, except for a few number of previous employees. Some of the majority owners do not work at PdB anymore, but apart from them the employees have to sell their shares if they end their employment. In good years, the company pays dividends to the owners.

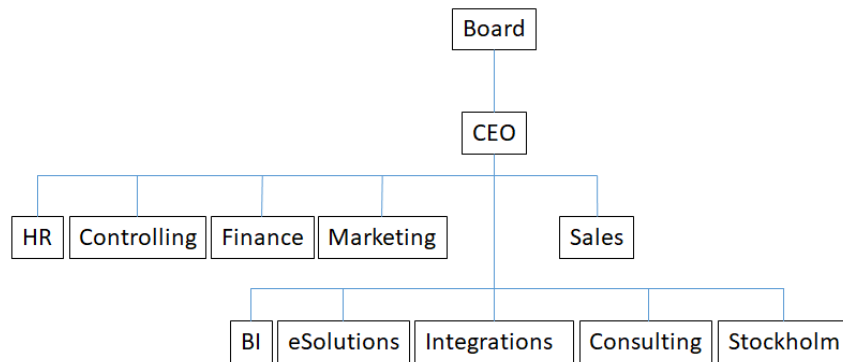


Figure 8 - PdB's Organizational Structure (PdB Corporate Document, 2018)

As can be seen in Figure 8 above, PdB has a rather flat organization where each responsible manager in every division is reporting directly to the CEO. The divisions HR, Controlling, Finance and Marketing consists of only one person per division. The Sales division consists of one sales manager and two sales representatives. BI, E-solutions, Integrations, Consulting and Stockholm are the different business areas of the company, which has one area manager which the consultants within respective area are reporting directly towards.

4.1.1 PdB's Business Concept

As mentioned in the introduction, PdB went through some tough years recently. The company was not making enough money to be profitable and in addition their largest customer at the time decided to offshore a lot of the services, which PdB used to provide, to a competitor in India. At this point, PdB did not really have a niche, but rather their business concept were to do almost everything within IT. When the business opportunities started to decrease around 2013 the company was in a situation where they had more employees than they could occupy, which led to an unfortunate situation where many had to leave.

In 2015, the owners hired a new CEO, with the directives to turn the company around and thus ensure that PdB could become profitable yet again. The new CEO started his work by making PdB a more niched company. He did believe that the business idea of being an IT company that delivered everything within IT was not the right way to go. Instead, he and the organization spent a lot of work investigating which areas PdB was strong within and which areas that he believed the market would demand in the future. This resulted in PdB as a specialized company, niched toward offering IT solutions within Business Intelligence, E-solutions, Integrations and Consulting, where the latter consists of a variety of necessary IT consultancy competencies, for instance project leaders.



Figure 9 - PdB's Logotypes (PdB.se, 2018)

PdB's four market areas can be described as:

- *E-solutions*: Web and E-commerce services, "Digitalization"
- *Business Intelligence*: Support for decision making; PdB's second largest area.
- *Integrations*: Integration and connection of IT systems at companies, both with a technical and strategic purpose.
- *Consulting*: IT consulting for varied customer IT projects. Consulting services for different levels and for different types of industries. This is PdB's largest area and includes a lot of project leaders and employees with a broad knowledge in different areas. The employees from consulting often have a very central role in customer dialogues since they possess general competencies.

Each of the market segments has a responsible area manager (AM), and some of the AMs have team leaders beneath them to support with the coordination of the consultants. The office in Stockholm is currently viewed as a separate "market segment" in order to simplify the reporting and evaluation processes for the company. From a market perspective, Stockholm is considered a large market in terms of potential customers. Viewing the Stockholm office by itself gives a good picture of how the business there is going. Important to know is that the majority of assignments take place in Jönköping, but the Stockholm office is still valuable for several reasons; many of PdB's largest customers have their head-quarters there, there are a lot of business opportunities and it has a symbolic value to be present there.

PdB's first priority is to be profitable, and the second is to have a stable but constant growth. In order to make this happen, the company has lately been focusing upon marketing strategies that profiles the company in accordance with their service offerings, but also on employer branding. The aim with the employer branding is to create a picture of PdB as an employer that is desirable to work for, with regard to their culture, work environment, challenging projects and a large possibility for the employees to have an individual development. The employees are a valuable resource at PdB, and this is one of the reasons why the company does not want to grow too fast, since it potentially could ruin the culture and work climate.

4.1.2 PdB 2017 & 2018

The year 2017 was a good year for PdB. They reached total revenues of around 80 MSEK, which is an increase with more than 24% compare to 2016 (65 MSEK). Some of the most common KPIs within their annual reports are presented in the Figure 10 below. This Figure visualizes that PdB has significantly improved almost all of its indicators compared to the previous year. Of the six years presented below, 2017 is the year that PdB shows the highest profitability and return. Also the solidity is higher than before, and the revenue is almost as high as they were during 2013 (83,3 MSEK). We can also see that the company is growing in terms of more employees than 2015 and 2016.

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------------|--------|--------|---------|--------|--------|--------|
| Revenues TKR | 77 730 | 83 345 | 66 732 | 63 046 | 64 959 | 80 694 |
| Change revenue % | - 12,7 | 7,22 | - 19,98 | - 5,53 | 3,1 | 24 |
| EBIT | 605 | 4 627 | - 5 770 | 2 218 | 6 196 | 11 040 |
| Net profit | - 280 | - 76 | - 2 619 | 1 797 | 3 575 | 6 323 |
| ROE | 4,2 | 51,1 | - 142,3 | 29,7 | 55,6 | 65 |
| ROA | 1,7 | 12,8 | - 17,7 | 7,3 | 20 | 23,0 |
| ROCE | 3,91 | 36,48 | - 43,79 | 16,36 | 39,71 | 60,0 |
| Operating margin % | 0,8 | 5,6 | - 8,6 | 3,5 | 9,5 | 13,7 |
| Employees | 89 | 88 | 78 | 60 | 59 | 68 |
| Solidity | 22,6 | 23,3 | 13,1 | 19,4 | 34,5 | 47,0 |

Figure 10 - Common KPIs for PdB 2012-2017 (Authors own)

For 2018 PdB has stated several targets - financial and organizational - in its business plan. The company has a budgeted revenue of 92 MSEK and a profit of 13 MSEK, which equals a growth and profit margin of 14% each. The solidity target is set at 30% over a longer time period. Internal organizational targets for 2018 is to have a chargeability ratio of at least 80% for the consultants (this chargeability ratio is referred to as *DG capacity* internally at PdB), and a chargeability ratio of at least 70 % for the whole company (this chargeability ratio is referred to as *DG total* internally at PdB). Another internal goal is to maintain high employee satisfaction. External organizational targets for 2018 includes to further strengthen and emphasize the business offering. The company also aims at strengthening its brand with the purpose of attracting new, potential and existing customers, and employees. Finally, PdB wants to focus upon having a strong presence on the market, where they frequently process new and potential customers.

4.1.3 PdB's Position within the Industry

The IT industry is currently going very well. However, the industry has faced a lot of changes lately, for instance that a lot of large-volume business is moved to low cost countries such as India. So in general, the price for a consultant is under pressure and at the same time the salaries are increasing, which is a restriction toward profitability. This is one of the main reasons that the CEO at PdB wants the company to be more niched toward areas that require a higher knowledge and specialist competence. According to the CEO, the price pressure is not really concerning areas that require high knowledge and front-edge competence, such as BI. Furthermore, this is in line with how the IT research company Radar predicts the industry in

the future (Radar, 2018). The CEO states that some of the IT services demand a close relation to the customer, and are very hard to offshore to low cost countries. He mentions consultants that are working with business developing as an example, and argues that they will have a very hard time executing their jobs from a distance, since the quality of their jobs is depending on knowing the customer's business inside and out. Additionally, many of PdB's service offerings are in one way or another related to business development, thus most of PdB's projects requires presence at customers' site.

The CEO is rather confident in saying that he believes that some parts of PdB's business will be very hard to out-compete, and the fact that the company has been going well the last three years is seen as a receipt on that the offerings are successful to work with. According to Radar, there might even be a price increase in that kind of high-knowledge services. This increase can be explained by the fact that IT services are nowadays not only sourced from companies' IT departments, rather other departments are more and more handling their own purchases of IT services and systems. PdB's CEO and BC1 believe that even if there will come weaker economic times, IT is something that the customers cannot survive without, and thus there is a large chance that the industry will remain strong even in harder times.

4.2 PdB from a BSC Perspective

4.2.1 Vision

A clear majority of the respondents seem uncertain about the vision, while some states that a lack of vision for the company is obvious. The CEO states that, unfortunately, there is currently no explicit vision for the company and this is something that the owners need to set. He believes that this is a result of the recent period with negative results, which forced the company to focus on short term financial targets in order to turn the profits from negative to positive.

4.2.2 Business Idea

In PdB's business plan for 2018, it is stated that the company should strive towards being experts within their fields and be working with the leading platforms and technology. They state that their competence about the customers' business is what distinguish PdB from their competitors and this knowledge is a key factor that gives them the opportunity to start collaborations with new customers. It is also viewed as the reason for the company's long-term relations with existing customers. According to the PdB's business plan (2018), the company's business idea is expressed as follows: *"We are offering IT consultancy services with a high degree of specialization and close connectedness to our customers' businesses. Our delivery consists of projects, management & administration, support and external consultancy services"*

Beside the business idea, PdB has a slogan and business concept called "Moving Forward". Moving Forward is both something they use in the marketing towards customers, but also something that is used internally. According to the Marketing Manager, this is an internal check; "do we really make our consultants and employees move forward?" This is about being inspired and get a feeling of moving in the right direction. PdB also has another internal concept

called “the red ride” which also is related to the mindset that every individual at PdB is driving the company forward.

4.2.3 Strategy

PdB has a well-developed strategy that covers many important areas of the business. Below, each of the strategic objectives and actions are presented:

Strategic Objective - 10-10-100

PdB has an objective called 10-10-100. The concept of 10-10-100 means that the company strives for 10% annual growth, a profit margin of 10% and an annual revenue of 100 MSEK; this level of revenue was to be reached within 5 years from the year of 2015. According to the CEO and BC1, this concept indicates that the company is under constant development and has a desire to be grow in a controlled manner. It is a statement of how the company wants to develop over a longer time period, and lies as a fundamental basis for the strategy. For each year, the growth target is only focused upon if the profit target is considered reachable. A constraint with this objective - from the CEO’s point of view - is that the annual growth and profit margin of 10% will be hard to reach in difficult times, and will probably be over performed during good years. The CEO continues, that if the forecasts show that there is a possibility to reach higher than 10%, the company will also aim higher. These figures should hence be interpreted as a minimum average level, rather than a definite target.

Strategic choice of Business Offerings

PdB has identified four business areas related to where the company has its core competences and what the customers need, and these areas thus constitutes the cornerstones in the company’s business offerings. The areas can either be by themselves or they can be interconnected; sometimes a project only involves one area and sometimes there might be more areas involved in the same project. The main purpose of this strategic profiling was to be able to distinguish from competitors by defining themselves as pure experts within these areas. A majority of the respondents states that specialization is seen as a very important factor in order to obtain sustainable profits. For now, there are no plans to establish any more business areas, but it could be of interest in the future. This depends on in which direction the market is moving.

Strategic choice of Customers

According to the respondents, the customer segment that PdB is mainly focusing upon consists of big actors within the private sector of producing and distributing companies. PdB has a long history of working with companies in these areas, and thus has a lot of reference cases and experience to rely on. Producing and distributing companies respond for a clear majority of the company's revenues, which has arisen the idea of widening the customer base to increase the share of companies from different segments. The next strategic move related to customers is therefore to target organization within the public sector, which is believed to generate a better diversification. *“We are currently discussing our possibility to spread our eggs into several baskets in order to become less vulnerable from for instance economic cycles.”* - CEO.

The CEO states that the company is not limited to a specific segment, but consider it easier to attract customers within some segments at a time, since it takes a while to build up the knowledge about the industry. Sales state that in the future, it is likely that also other service companies become a part of PdB's customer base, since PdB has a lot of business knowledge in this area. Generally, PdB has higher margins on projects toward private companies than on those within the public sector. Sales states that "general agreements" are most common within the public sectors, which usually are characterized by a price pressure. Companies within the public sector are often less profitable in short term, but can be seen as a strategically important customer base in a longer perspective, since they usually generate a more secure flow of revenues over time. Long term contracts with public actors also requires less daily and continuous planning, which is another incentive.

Strategic Presence

PdB's headquarter, and also the main part of the business, is located in Jönköping. Further, the company has an office in Stockholm with seven employees. The motivation behind being present there is that there is a large market for IT consultancy services in Stockholm. The strategic value of presence in Stockholm is also described as signaling value, especially since many of their main customers have their headquarters there. At the moment, the Stockholm office mainly consists of the business area E-Solutions, which is managed by the area manager who is positioned in Jönköping. The next move is to get the business area of BI to Stockholm, and it is also desirable to establish the other areas there as well.

The CEO mentions that he is currently investigating the business opportunities in establishing PdB in Växjö, which potentially could be the next strategic move for the company. He believes that it could be good for PdB to have a strategy of geographically targeting cities that are "the second largest" in Sweden, compared to only focusing on for instance the largest cities such as Stockholm, Gothenburg and Malmö. He mentions that the cities Växjö, Borås and Sundsvall are of high interest due to their respective promising IT market. The CEO explains that from his point of view, PdB only has a limited opportunity for future growth in Jönköping and therefore needs to exploit new areas. This is not only a strategic move in terms of profitability, but also seen as a way of being more geographically diversified, which is believed to minimize the company risk.

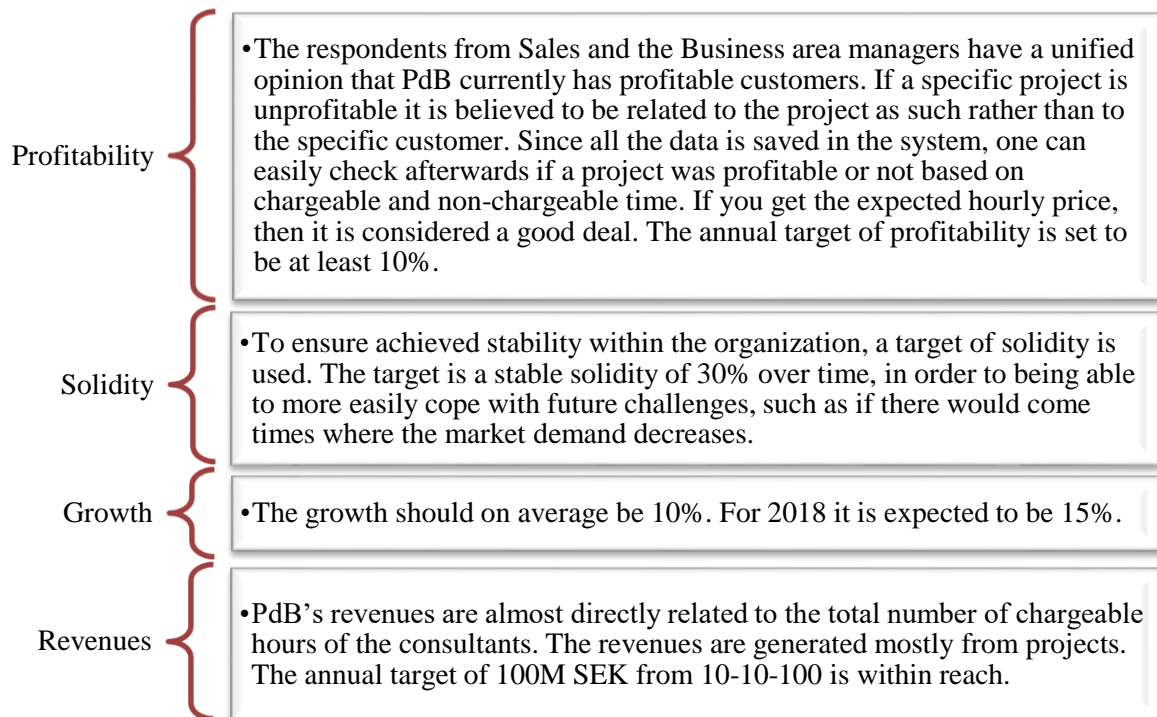
Strategic focus on Employees and Stability

PdB has learned a lot from its tough years, and therefore has a clear picture about how they need to manage the company in a way that puts the employees first. Today, the company spends a lot of effort in being a stable company with a low personnel turnover. Some time is invested in employer branding, and PdB also tries to ensure that the company actually meets the objective of being an employer that skilled and competent people want to work for. PdB does not want to become an enormous company that focuses too much on expanding the business. Instead, a controlled growth is desired and this is regarded as necessary in order to maintain the current culture and atmosphere.

4.2.4 Financial

In this section, PdB's financial performance measures are expressed.

Financial targets from Business Plan (2018):

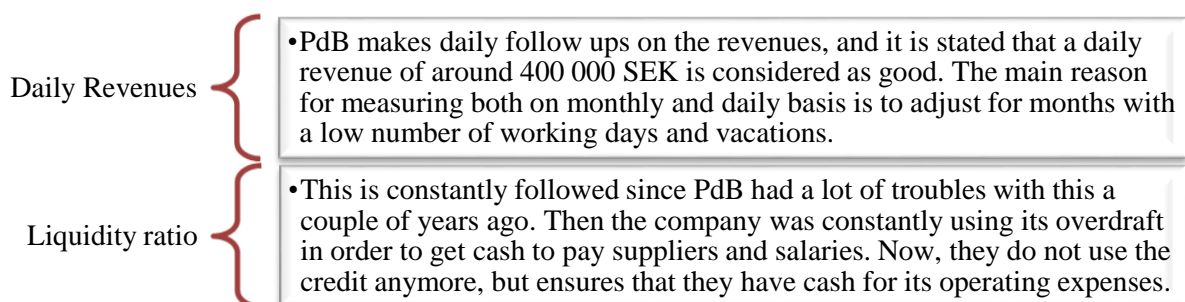


Financial targets from Monthly Report (2018):

On a monthly basis, a report is generated including a few financial KPIs, which are supposed to ensure that the company is moving towards their yearly financial targets from the business plan. The monthly report includes:

| |
|------------------|
| Monthly Revenues |
| Results |
| Profit Margin |

Other financial targets according to the CEO:



Chargeability Ratio for planning:

The chargeability ratio is defined as PdB's most important KPI. PdB is currently measuring their utilization through two KPIs called DG Total and DG Capacity. DG Capacity is the available capacity for services performed directly to customer and is measured in hours. In other words, this ratio explains the utilization of the total number of consultants. DG Total treats the total number of employees, which includes both the consultants and the overhead personnel. The company strives to achieve at least 80% DG Capacity and 70% DG Total. According to most of the managers, the utilization is one of the bigger challenges as some consultants are easier to occupy than others. In a shorter perspective it could be appreciated to have a 100% utilization for the consultants, but in the long run this is considered unsustainable and hence the company aims at 80%. The uncharged 20% is believed to be necessary for the consultants to keep up with internal tasks such as reporting, education and sales activities. *"Even though it's the average that determines the revenues, you cannot have one consultant charged around 40% and one 120%."* - CEO.

4.2.5 Customers

This section present the areas that affect PdB's goals related to its customers.

Sales

In order to get new customers, you need to be very active as an IT consultancy firm. It requires a lot of marketing and sales activities to get new customers, or to make new business opportunities with existing ones. In this industry, you do not "get found" by the customers; you have to sell yourself in and be well positioned in the market. The sales representatives are working in close collaborations with the four AMs. The sales target is set annually and depends on a forecast based on previous figures and expected growth, adjusted for available capacity. Usually, the annual sales target is higher than the annual revenue target, since the sales target consists of all likely and potential business chances, which are not always reachable.

The AMs' role includes direct sales as well. An AM has contact with both new and existing customers, and in addition elaborates how the specific area should penetrate the market from a more strategic perspective. Furthermore, the AMs are involved in evaluating potential customers, which is very important since some customers can stay for several years. *"Sometimes we are part of a customers' process during the whole life cycle, from idea until termination of the system. Our oldest project right now goes back 20 years."* - AM2. Most of the customers come from contacts or previous collaborations. However, a major part of the sales are derived from the consultants through discussions and personal relationships with customers during existing projects. *"Even though some of the consultants don't want to recognize it, we use to say that all our consultants are salesmen since they all have a suitable relationship for the task."* - AM2. It is generally hard to use measures related to sales and marketing, and the relation between them. Many people work with sales activities which makes it hard to measure accurately and get a clear cause-and-effect picture.

Marketing

PdB's marketing strategy refers to Moving Business Forward. *"We are moving our customers forward by using IT and thus focuses on constantly creating a high value for them."* - MM. By sending a message that we are using the latest technology, in the right way, for the specific customer, the PdB can achieve a competitive advantage. As evidence, PdB refers to previous successful cases with their own customers as references. Channels currently used are solely digital, which equals all kinds of social media and their webpage, but also by outsourced telemarketing. *"It is of importance to be visible on the market. If you are invisible you won't stand a chance."* - CEO. The telemarketing is mainly targeting new and potential future customers, and is currently considered efficient. The Marketing manager is keeping track on the number of conversions, which is a marketing KPI that shows if potential customers online have clicked on PdB's advertisement, if they visited the homepage and downloaded something.

Customer Target Segment

According to the business plan for 2018, the following is stated about the target customers:

- Currently, the customers are operating within the private sector, and to a smaller extent within the public sector.
- Desirable with customer accounts that generate >0,5 MSEK per year.
- Primarily not target companies within the enterprise segment (very large companies).
- Strong among companies within producing and distributing industries.

In the business plan of 2018, PdB states that today the company has most exposure toward the private sector, and mainly producing companies. In an effort to minimize and tackle future risks, it is stated that the company should prioritize increasing the share of public sector companies. This will make the company less sensitive to fluctuations in the overall economic situation and conjuncture. It will also increase the long-term perspective in the business deals, since the contracts with public sectors often run over a longer time period than the private. The current goal is to have a share of 10-15% of the business deals within the public sector.

The CEO states that the most vital part in being profitable in this industry is to continuously have ongoing dialogues with the customers with the aim to always keep them updated about the project. Especially when unforeseen happenings arise, it is vital to update the customer about this in time: *"If you just keep going on with the project and then tries to declare more hours afterwards...you will encounter problems and unwillingness from the customer to pay for this"* - BCI. In the business plan for 2018, PdB states that when having customer dialogues about projects, the responsible are supposed to move the focus from time-estimations. Instead, PdB wants the focus to be upon the provided customer value. The purpose of doing this is that the price discussions should be based on the provided customer value, rather than the time it takes to conduct the project.

External Quality and Satisfaction

PdB sells solutions and ideas and the importance in all business deals is to listen to the customer and identify a solution for the specific demand. It is important to understand the customers' business and to be creative. It varies from customer to customer, depending on the size and length of the project, but there are always follow up sessions during the development process to ensure that the delivery will be in line with the agreement. *"It might be a cliché, but we do not always deliver to the highest quality, but rather to the right one."* - SM. PdB might not always be the cheapest alternative, but they always strive to deliver a high value for their customers. *"The driving force is that the customers are supposed to be able to save or make money in the future"* - MM.

Continuous communication and dialogues are strongly related to the level of customer satisfaction. A customer who experience a good delivery equals high quality. Nowadays PdB do not follow up single projects to ensure this, unless the project suffered from serious struggles. They currently do not receive any complaints, and thus do not focus on any measurements regarding this type of quality. A quiet customer is usually considered a satisfied customer. But PdB is clear about that they have an approach to deliver high quality to avoid potential costly complaints. The belief for now is that if something goes wrong, it mainly depends on a misunderstanding in the communication between the company and the customer. *"It's of huge importance to discover deviations in the project early and to discuss it immediately with the customer, otherwise PdB will lose."* - AM1.

Surveys

The company performs one quantitative and one qualitative customer satisfaction survey every second year in order to get some insight in their customers' experience of PdB's services. The result from these studies takes into consideration during the planning and strategy process for the next coming years. One of PdB's strengths found out from previous studies is the service level. *"Our employees respond to our customers issues in a very good manner."* – AM2. This result made PdB focus a lot on their existing customer, since this is one aspect that is attached to customer satisfaction. One AM states that PdB does not have any specific quality indicators, but on the other hand they have customer surveys that can be interpreted that they have a good internal quality. From the results of the surveys it is clear that PdB has a very high employee satisfaction in total. One point that gets a low score is that many employees feel that PdB does not have very clear routines for its daily tasks; only 54% answered yes to this question.

4.2.6 Internal Business

In this section we present the goals of internal operations and areas, which are necessary for our case company to be able to meet its customers' demands.

Pricing & Cost Structure

Usually, PdB calculates an approximate price based on estimations about time and the roles of the consultants, which is handed out as an offer to the customer. However, the prices differs a lot from customer to customer and the price level is thus very flexible. For instance, sometimes

PdB offer specific customers a lower price for a project. Lower prices can be offered as a mean to penetrate a certain customer and/or when there are opportunities for future projects where the profitability is anticipated to be higher. In addition to this, the CEO and AMs mention that if you have a consultant that is currently not assigned to a project, it is sometimes better offering his or her services to a customer to a lower price. This is considered better than letting the consultant “sit on the bench” for a longer period. Nevertheless, the most common way is to use an hourly price where PdB uses a price list with standard-prices for consultants. There are five different price levels ranging from 600-1400 SEK, which depends on what role the hired consultant undertake in the specific project. These roles are associated with different degrees of responsibility (for instance junior consultant, project leader, programmer, architect etc.) Another way of pricing is a fixed price for the complete project. In this case PdB uses a margin of around 20 percent to cover for potential unforeseen happenings.

It is important for consultancy firms to be able to measure how many employees there needs to be, since they represent the largest cost. PdB measures both actual and forecasted demand and puts this in relation to the number of employees. There is enough data available to measure both average revenue per consultant and the average cost per consultant. The controller states that PdB can measure the revenues per hour and customer, and by that the team leaders have the possibility to measure their teams both in chargeability ratio and in SEK. It is also possible to compare customers and evaluate why some are more profitable than others. Some customers take longer time to negotiate with, and then a lot of time can be lost and the revenues per hour will decrease. All overhead costs (such as the local, marketing, administrative personnel etc.) are divided among the business areas based on its percent share. Further, all of the direct costs that a team has is directly applied to that team (such as personnel costs, company car, educations and events, project costs or marketing that is specifically for that business area). This makes it easy to measure each business area to ensure a profitability.

Subcontractors

The usage of a small number of subcontractors is considered beneficial from many aspects. *“We cannot hire employees based on our peaks, and in addition this allows us to get access to rare and specialized competences from our subcontractors.”* - AM2. Thus, the subcontractors are seen as providing elasticity to the company’s workforce. In some cases subcontractors are also needed due to specific competences, which PdB potentially might lack. It is explained that when putting together a project team, all the necessary competences need to be there (such as project leader, architect, programmer, etc.) and during hectic times the people with the needed skills might be fully booked on other projects. That is when the subcontractors come in handy. The goal is to have around 10 percent subcontractors to get the desired flexibility within the workforce

Internal Quality

According to all of the respondents, to have a high level of quality within the delivery process of a project is very important. Another factor that several respondents’ states is a measure of internal quality as the average hourly price for a single project or even the whole company. *“If*

you earn less money than intended, there's most likely a problem within the project which indicates low quality within the project in total." - SM. It is the consultants who work as project leaders together with area managers who are responsible for their respective projects. Nowadays, it is very uncommon that larger problems arise within a project, but if it does the situation needs to be escalated to the steering group. It is however common that small obstacles get in the way but these things get solved very quickly. One AM reports that it was more common with quality issues a couple of years ago, compared to today. At that time the business controller focused a lot on internal quality by making analyses and follow-ups on projects. Since these problems are almost non-occurring now, potentially due to better competencies related to customer dialogue and better assessment of time, the quality work conducted by the controller is mainly to measure the different teams. The teams are then compared to one another to find similarities and differences.

Internal Efficiency

Efficiency is important, but is viewed as something hard to measure according to the AMs. *"A higher efficiency is reached if you have the right persons, on the right positions, in the right project."* - AM2. In addition, some of PdB's solutions involve prepackaged solutions, which increases the possibilities of reaching a higher profitability. The sales manager states that such solutions can be seen as important in a longer perspective, since these revenue stem from packages that PdB has previously developed. *"If you can re-use an already offered solution, that is a very good way of making money, even though you always have to customize the solution to exactly fit the customers' needs."* - SM. It is also seen as a security for PdB if the provided value is tied to the products and concepts, and thus not only within to the consultants' competences and experience. Using and developing packages of services is thus believed as one key to efficiency, since it is developed once and then can be applied to many customers.

The four business areas have different preconditions for using this kind of efficiency. At E-solutions, they do not have that many packages since web is a more "fuzzy" area where different techniques are required. What they do have in this area are some basic platforms that enables them to get a good head start in the sense that they do not have to start entirely from scratch. BI is the area where they to the largest extent work with packages and also the area where they have worked the longest with this approach. The packages are the result of many similar customer cases and projects, where better practices and methods have been put together. Within the area of Integrations they use Microsoft's platforms, which to some extent gives a packaged way of working. AM3 states that it would be good if the Integrations Area had more packages, but the team is rather new and thus has not reached that far yet.

One way to find out if the company is efficient enough is to compare figures against earlier calculations and forecasts. If there is a negative deviation, you have either made the wrong estimations, or things have gone too slow. Estimations are usually done for some kind of average working phase level, but in reality different consultants have different levels of speed in their work. AM1 points out that it is vital not to have too many projects going on at the same time - for the same consultant - then you lose too much time in changeover.

Within the other organizational departments, such as marketing, sales and finance, they also work a bit with efficiency. Nowadays the marketing manager has the mandate to run marketing strategies on her own, compared to before when she had to get an “approval” from the management. This increases the efficiency a lot since the ways of decisions are shorter. The sales department work in a common CRM system in order to have a collective overview of the customers. The sales manager states that it is very important that information about customers cannot only be available in private mail conversations or in the head of the employees. At the finance and accounting department, there are a lot of manual work which decreases the chances of being efficient. An example of a very time consuming task is the handling of invoices to customers; the financial manager gets information about a project from the project leader, which has to be typed into the system. Then the financial manager has to collect the detailed information about what has been done from the time reporting system. Since the company is growing, these tasks are increasing.

Planning

The business plan, which is conducted one year at a time, is the plan that lays the ground for all business areas and departments, in order to ensure which goals to reach during the year. The KPIs and targets are presented on monthly meetings so everybody in the organization is aware of the company’s goals. Furthermore, there are a lot of weekly and daily planning activities. This kind of operational planning is necessary since PdB gets new projects almost daily, which has to be planned into the business. The AMs say that the planning sometimes is a puzzle with a lot of factors to consider - such as sick leave. In order to ease the planning, PdB measures all kinds of leave and sick leave, both planned and unplanned. Last year’s leave serve as the forecast for the upcoming year. All kinds of leave is important to analyze when the budget is followed up since it can provide good explanations to why some targets have not been reached. However, the forecast and the budget is created for one complete year, so naturally these numbers will not hold entirely.

A key to meet the set KPIs is according to the AMs “planning, planning and planning” and in addition to conduct follow-up analyses if targets are not met. The tools used for monitoring gives PdB a good hint on how the business is going and what they need to focus upon. As an example, if the chargeability ratio is too low they need to increase the number of sales activities, if the profit margin is too low you can for instance look into if the price level is too low or if the costs are too high.

PdB uses a planning system called “Base Plan” for its ongoing operations; a forecast of the company three months ahead. This is used to enable their ability to plan and allocate their resources and to get a feeling of what the demand looks like in the future. Every new month, a new base plan is made. Each business area has its own field to make sure that it is clear for everybody how the company are proceeding. Furthermore, each AM has the responsibility to update the base plan weekly. The base plan is adjusted for vacation, parental leave etc., and shows the exact number of hours available. The exact number of fixed orders and potential new

orders can be seen, which gives each team an approximated chargeability ratio. According to CEO, BC1 and FM; this forecast is usually very accurate.

Internal Communication

Information is spread through channels such as monthly meetings on company and team level, on the intranet and daily within the team. On organizational level there is a “Base meeting” every three months, where each AM account for the area’s chargeability ratio, finished projects and possible business opportunities. Information can also be spread informally, such as during common discussions. It is always harder for the people who do not work as much in-house to get all of the information. Here “BI” has an advantage since they to a larger extent work in-house compared to for instance “Consulting”.

The program “Microsoft Power BI” is used to display and monitor its KPIs, and the value of this is that it shows everything in real time since it is updated twice per day. The numbers can be put in relation to the forecast from the base plan. For time reporting, PdB has an own constructed data system called “Loggen”, which is connected to the Power BI system to enable easier monitoring and measuring. In this system the time-related data for all consultants is available, in a very detailed manner. This data is used in combination with economic analyses. The benefit with this system is that it is easy to view data from many perspectives, such as on consultant, customer, department and project group level. This tool enables patterns to be discovered, such as how revenues differ from customer to customer, or if some segments or team are more profitable than others, or why there is a lot of non-chargeable time.

4.2.7 Learning & Growth

In this section we present the goals that are necessary for our case company to be able to continue develop and to adjust to changes within the market.

Development

The CEO states that if PdB has the right offers, then people wants to work for the company and it will also increase the number of customers, since it makes PdB seem like a competent provider of IT solutions. The AMs are responsible for the company's offerings, together with some developers, and always strives towards the ability to deliver competitive solutions. The four business areas works differently with development, but common is that many of their services develops over time during ongoing projects. Some development also arises from benchmarking, by looking at what is currently offered by their competitors. Furthermore, the development is to a large extent driven by what current needs the customers seem to have. According to the AMs, from year to year there is a different focus on certain business areas the company want to focus upon in terms of growth. Currently, the main focus has been on BI and in addition this is the area they want to increase in Stockholm.

Employees

The competencies and experiences of single consultants are the most vital components regarding an insurance of the company’s future growth. The average age is around 40 years,

but this will be lowered due to current employments of younger persons. The average age is higher within the business area of consulting, and lower within e-solutions. PdB is also about to release a three-month trainee program, which further will bring more young people into the company. PdB focuses a lot on education, and wants its employees to be able to develop. Examples of educations can be for an employee to take a certification, go small courses, and visit a seminar or to change business area to be able to try different tasks. The AMs say that it is very important for the majority of the consultants to constantly feel that they are able to broaden or deepen their competences. A lot of new knowledge can also be gained by collaborating with different persons within the team and company, which contributes to the overall development. For instance, E-solutions and Integrations often work together on their projects, and occasionally all of the four business areas work together in larger projects. It is also appreciated by the consultants when PdB takes on interesting projects that mirrors current market trends and modern technology.

The consultants at PdB are involved in which KPIs the company focuses upon. Once a month, there are follow-up meetings that everybody within the company is present at, and then they go through the numbers and look at the 3-months base plan. This shows the managers and consultants if they are at the desired level at for instance the chargeability ratio, or if they need to work harder on sales activities. AM1 states that they are good at dividing the work among the team, in order to make the workload more even. This is probably the business area that has the best chances of doing so, since many of them know how to perform the same tasks. Some of the teams in Jönköping are coming close to 20 employees, which is believed to be a bit too large. Potentially, some kind of division of the teams will be necessary and the responsible AM could be seen as vital in terms of coming up with suggestions for this matter.

The IT consultancy industry is a male-dominated industry. Currently, about 20 percent of the employees are women, and it is a challenge to increase that share. The CEO mentions that when a female applies, she gets “noticed” since there are more men applying for a job, but it is the competence and personality that determines who gets employed. At the same time, it is desirable to have a workforce that represents the community in terms of for instance sex and ethnicity.

4.2.8 Summary of PdB

In Figure 11 below, we have compiled our results into categories of the BSC.

| | | | | | |
|------------------------------|---|---|---|---|--|
| Vision | Currently no explicit vision | | | | |
| Mission | <i>Experts within our field</i> | <i>Moving Forward</i> | <i>High knowledge of customers' business</i> | <i>Long-term relations</i> | <i>Latest technology</i> |
| Business Idea | <i>"We are offering IT consultancy services with a high degree of specialization and close connectedness to our customers' businesses. Our delivery consists of projects, management & administration, support and external consultancy service."</i> | | | | |
| Strategy | <i>Offerings based on core competences</i> | <i>Geographical Diversification</i> | <i>Increased diversification among customer segments</i> | <i>Stability</i> | <i>Controlled growth</i> |
| | Strategic profiling in order to distinguish from competitors. Rather seen as experts within a few areas. | Currently located in Stockholm and Jönköping. Evaluating establishment in other cities as well. | Private industry such as producing and distributing a large amount of customer base. Public actors considerable due to long term advantage. | Employer branding. Maintain & Develop employees. Remain Company culture. | The objective of 10-10-100. |
| Financial | <i>Profitability</i> | <i>Liquidity</i> | <i>Solidity</i> | <i>Revenues</i> | <i>Chargeability Ratio</i> |
| | Focus on large customers due to more profitable in terms of profit margin (at least 10%) and long term business opportunities. | Constantly followed and should be positive. | A solidity at 30% over time to ensure a stability within the organization. | Daily, monthly and annual follow-ups. Yearly average growth of 10%. | Chargeability ratio of at least 80% for consultants, and at least 70% for the total company. |
| Customer | <i>Sales</i> | <i>Marketing</i> | <i>External Quality & Customer satisfaction</i> | <i>Surveys</i> | <i>Customer Target Segment</i> |
| | "Everybody is selling". AMs responsible for sales activities within their areas. Sales department penetrates the market. | Marketing through internet and social media. Successful cases as references. Outsourced telemarketing penetrates potential customers. | Understand customers' business. Be creative. Deliver the expected quality that enables customers to save money in the future. | Quantitative and qualitative surveys to measure customers experience of PdB. | Current main targeted customers determined in Business Plan 2018. |
| Internal Processes | <i>Planning</i> | <i>Internal Quality</i> | <i>Efficiency</i> | <i>Communication</i> | <i>Pricing</i> |
| | All planning derived from business plan. Tool Base Plan. Subcontractors to tackle peaks or to get special competences. | The average price of the project as an indicator. Some measurements and comparisons between teams. | Generally hard to measure. Some packaged ways of working, but differs between teams. Licenses. Other departments not so focused on this. | Monthly meetings and team meetings. Base-meeting every three months. Informal communication. Power BI as a monitoring tool. | Price list or fixed price for a project. Partly based on the consultant's role. Uncharged consultants can be sold to lower prices. Costs are applied to the teams. |
| Learning & Growth | <i>Competitive Solution</i> | <i>Education</i> | <i>Involving Employees</i> | <i>Exciting Projects</i> | <i>Diversification</i> |
| | Constantly focusing on developing the offerings to ensure that the company offers exactly what the customers want. | Education of employees in order to stay competitive. Certifications, seminars, courses. | Tries to keep the employees involved in the business and its goals. Meetings where this is discussed where everybody can participate. | Having exciting and interesting projects will attract skilled employees and make the company fun to work at. | Tries to have a focus on diversifying the work force, so that it represents the society. |

Figure 11 - Summary of PdB (Authors own)

4.3 Benchmarking – Comparison between PdB and the Industry

This part of the study present our results from our benchmarking and shows PdB's position relative to the market. The benchmarking is conducted by using both industry specific key ratios from SCB and by comparing PdB to nine IT consultancy firms with a similar business model.

4.3.1 Key Ratios of the IT Consultancy Industry

Data covering some key ratios within the IT consultancy industry are presented below. The numbers are set to lower and upper quartile and a median value, which are put in relation to PdBs figures during the same period.

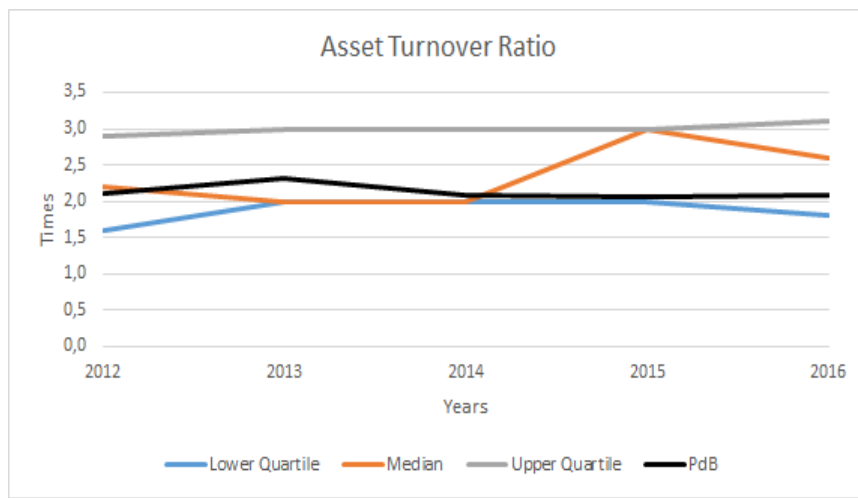


Figure 12 - Asset Turnover ratio - Industry (SCB, 2018)

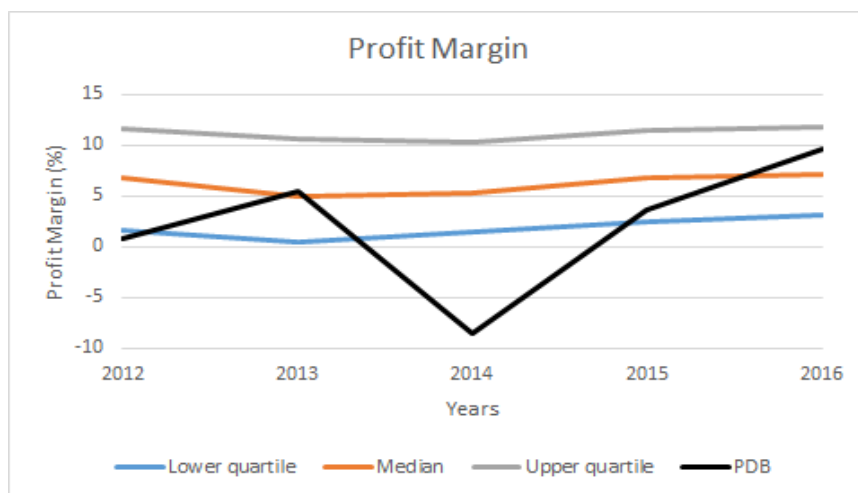


Figure 13 - Profit Margin - Industry (SCB, 2018)

The Asset Turnover (AT) ratio shows how efficiently a company uses its assets in generating revenues to the firm. The ratio is connected to the Profit Margin (PM) in the way that companies who have a low PM often have a high AT ratio, and the other way around.

PdB's AT ratio is rather stable around 2 during the period 2012-2016, making them placed over the lower quartile. From the diagram we can see that the most normal within this industry and company size, seems to be to have an AT ratio of around 2-3 times.

Regarding the PM, PdB has been below the median value during 2012-2015, with a large drop in 2014 (which is expected since it was a very bad year for the company). However, in 2016 PdB's PM increases to 10 %, which is clearly above the median and also above the value for the upper quartile.

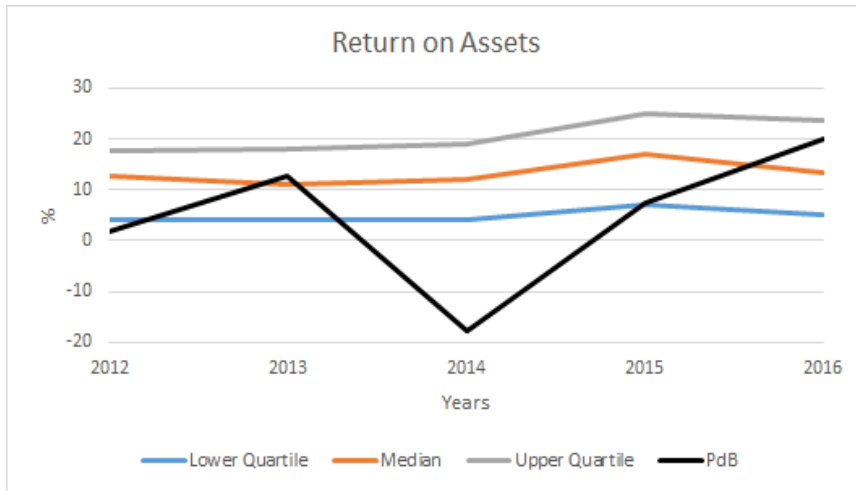


Figure 14 - ROA - Industry (SCB, 2018)

The ratio Return on Assets (ROA) is affected both by the AT and PM, since it is the product of the two factors AT and PM multiplied with each other. The graph follows the exact same pattern as the PM in Figure 13 above.

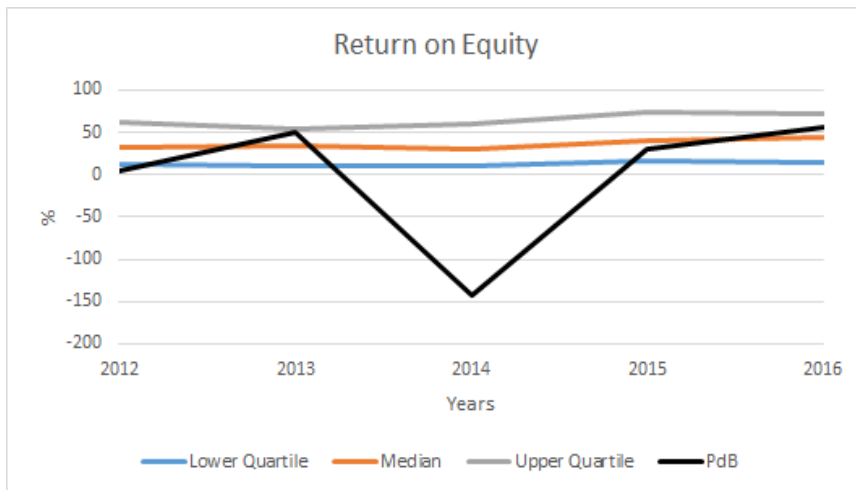


Figure 15 - ROE - Industry (SCB, 2018)

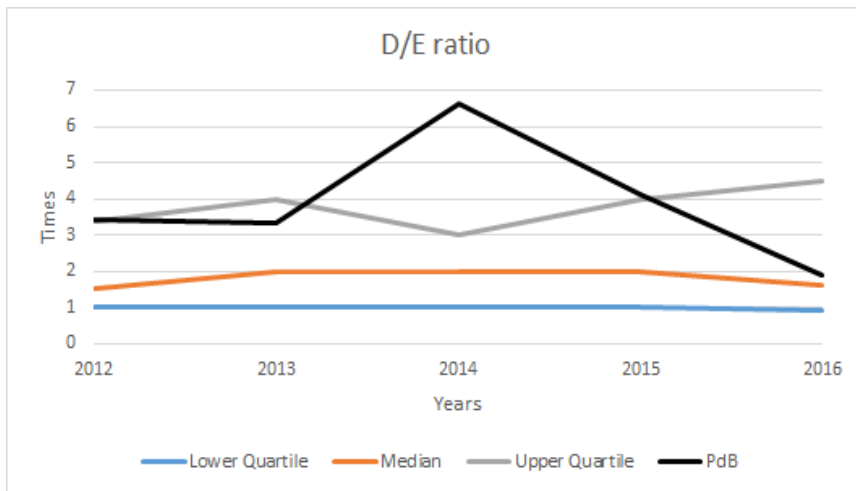


Figure 16 - D/E Ratio - Industry (SCB, 2018)

The Return on Equity (ROE) - which is a product of the ROA and the financial leverage (the D/E ratio) - also follows the same pattern as ROA and the PM. However, the ratio is higher than the first two. Both in year 2013 and 2016, PdB is above the median value and almost at the upper quartile. However, ROE is very dependent on what D/E ratio the company has, meaning that a higher portion of debt in relation to the equity will give a leverage that increases the ROE. PdB's D/E ratio (Figure 16) was higher during 2012-2015. The reason that both ROE and the D/E ratio peaks during 2014 is because the company suffered a large loss, which led to that they had to increase the debt. During 2016, PdB's D/E ratio is lower - just below 2 - but still above the median value. At the same time, the ROE is high; above 50%, which also is just above the median value.

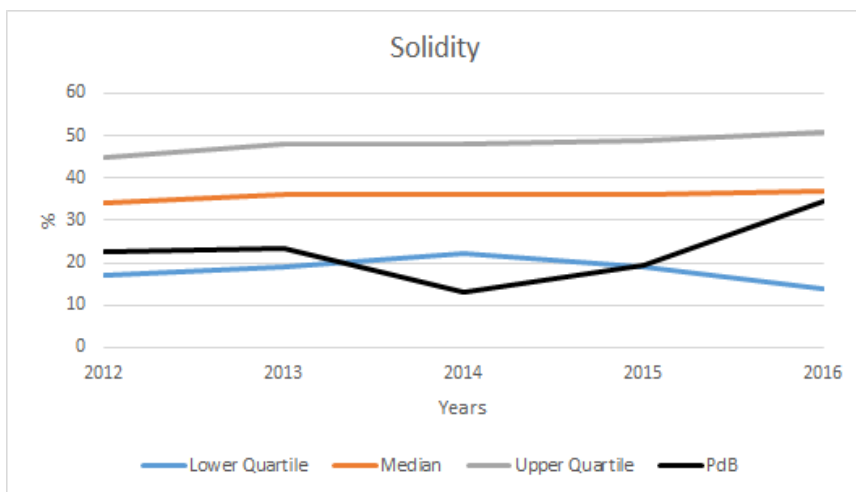


Figure 17 - Solidity - Industry (SCB, 2018)

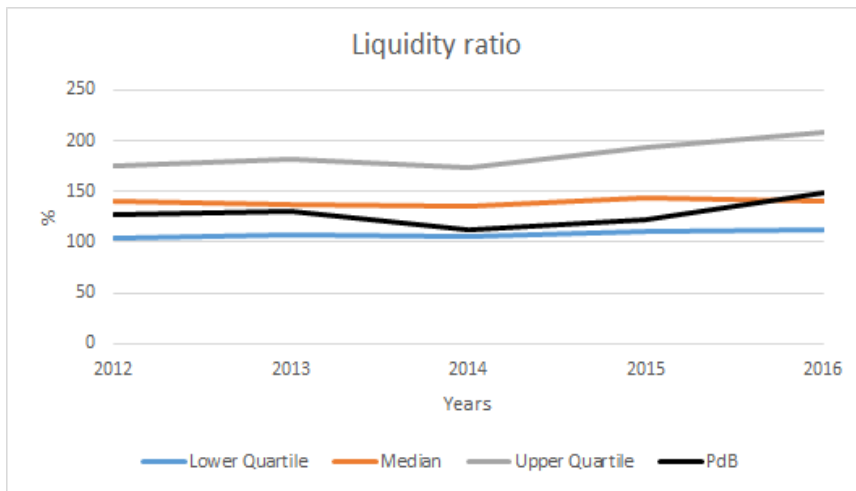


Figure 18 - Liquidity Ratio - Industry (SCB, 2018)

During the years 2012-2015, PdB's solidity was close to the lower quartile, at a level of around 20 %. This level increased to 35 % during 2016 however, close to the median value. PdB put a lot of focus on getting the solidity up above 30 % during 2016, due to the struggles with reduced revenues, negative profits and increased debt during the previous years (which affected the solidity negatively). Regarding PdB's liquidity ratio, it is close to the median value, except for 2014 when it decreased somewhat. During 2016, PdB crosses the median value at a ratio of almost 150 %.

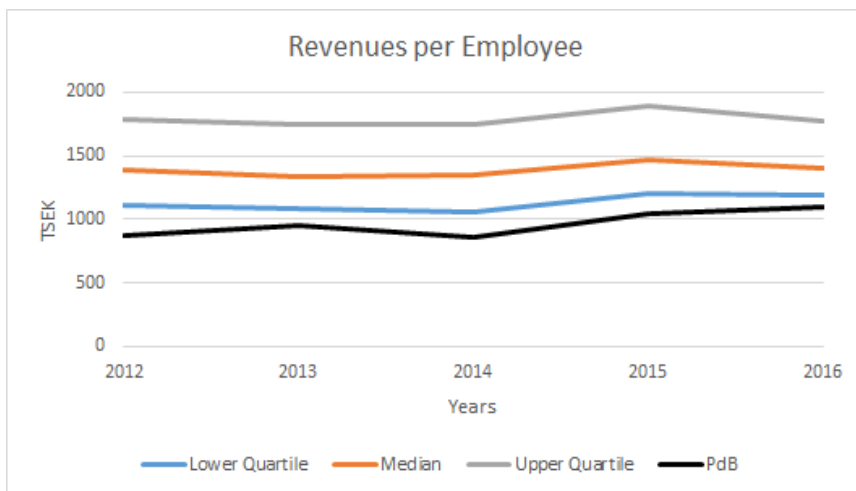


Figure 19 - Revenues per Employee - Industry (SCB, 2018)

As can be seen in Figure 19, PdB has during the years 2012-2016 revenues per employee that are below the industry's lower quartile. Although slightly increasing in 2016. This indicates that PdB have a rather large base of employees in relation to its revenues, compared to the market.

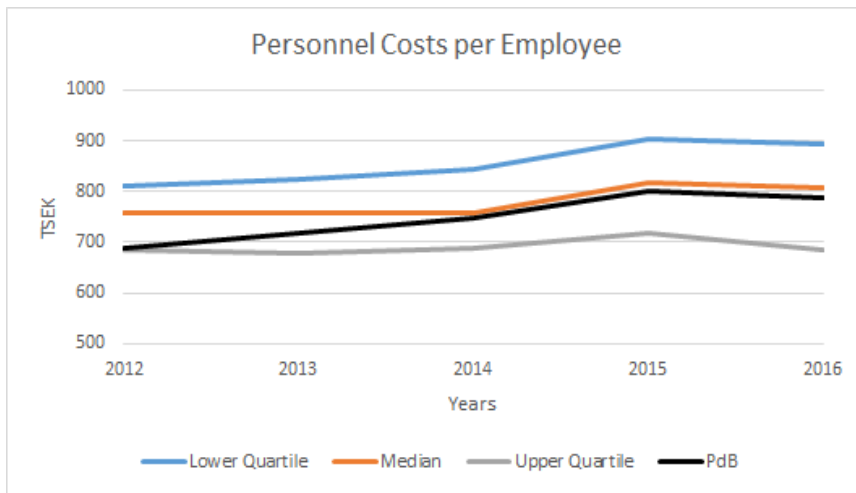


Figure 20 - Personnel Costs per Employee - Industry (SCB, 2018)

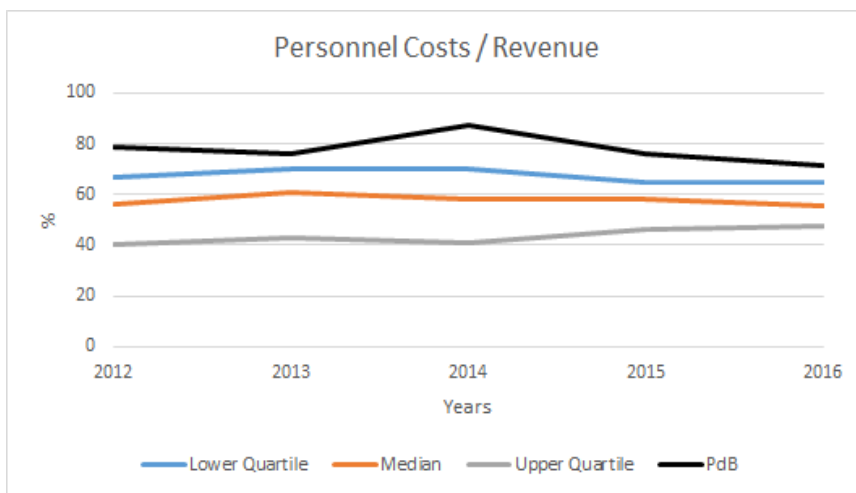


Figure 21 - Personnel Costs / Revenue - Industry (SCB, 2018)

In Figure 20, we can see that the lower quartile in this case are those with the highest personnel costs per employee, and the upper quartile are those with the lowest (i.e. changed from the previous graphs). From 2014 and onwards, PdB lies closely to the median value of around 800 TSEK per employee. Worth nothing is that the personnel costs per employee at PdB increased from below 700 TSEK to above 800 TSEK in four years, which is an increase of more than 100 TSEK in these costs.

In Figure 21 we can see that around 80-70 % of PdB's revenues are used to cover for personnel costs, which places them in the bottom. The best companies only use around 40 % of their revenues to cover personnel costs.

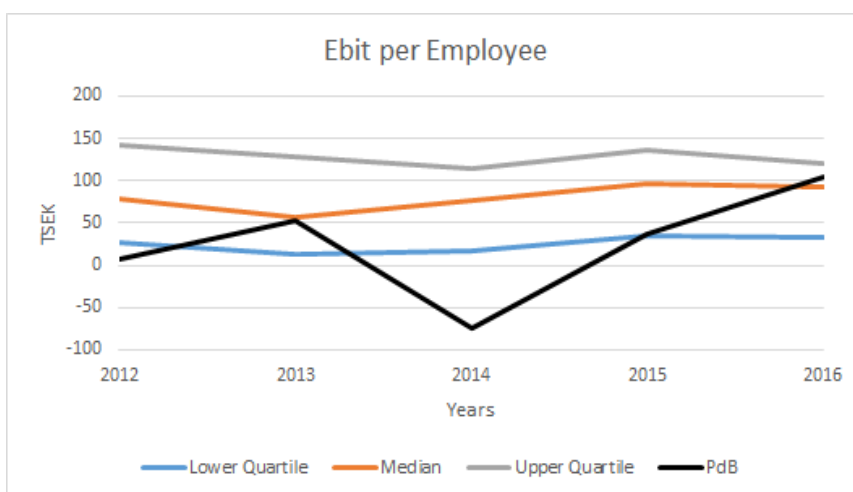


Figure 22 - EBIT / Employees - Industry (SCB, 2018)

If we look at the operating result per employee, we can see that PdB lied below the median for the industry until 2016. Between 2014 and 2016, the median value increased from 50 TSEK to 100 TSEK, which PdB managed to follow.

Summary Comparison of Industry Specific Ratios

| Industry specific ratios from SCB | Lower Quartile | Median | Upper Quartile |
|-----------------------------------|----------------|--------|----------------|
| Asset turnover ratio | Pdb | | |
| Profit Margin | | Pdb | |
| Return on Assets | | Pdb | |
| Return on Equity | | | Pdb |
| Debt/Equity ratio | | | Pdb |
| Solidity | Pdb | | |
| Liquidity | | Pdb | |
| Revenue per employee | Pdb | | |
| Pers.costs per employee | | Pdb | |
| Pers.costs / Revenue | Pdb | | |
| EBIT per employee | | Pdb | |

Figure 23 - Summary of PdB's "Scores" - Industry (Authors own)

Figure 23 summarizes PdB's position in relation to the market, i.e. IT consultancy firms with 50-99 employees. Most of PdB's scores are at the median value or at the lower quartile. Only for the ROE and D/E ratio does PdB score at the upper quartile. When it comes to the revenues per employee and personnel costs divided by revenues, PdB scores below the lower quartile. That means that PdB has low revenues per employee and a very large share of the revenues is needed in order to cover for personnel costs.

4.3.2 Comparison PdB and Competitors

The companies that is included in this comparison are mostly well-known within the industry and they have a similar business model as our case company PdB. They vary in size, but the majority of the companies are larger than our case company in terms of revenue and number of employees. Descriptions of the companies can be found in the methodology section (*Figure 3*).

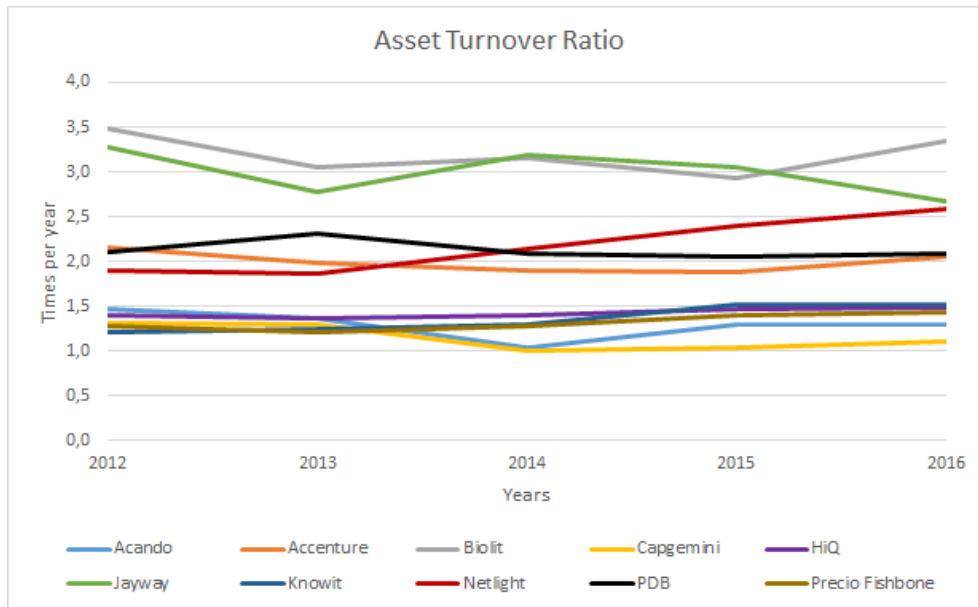


Figure 24 - Asset Turnover Ratio - Competitors (Retriever, 2018)

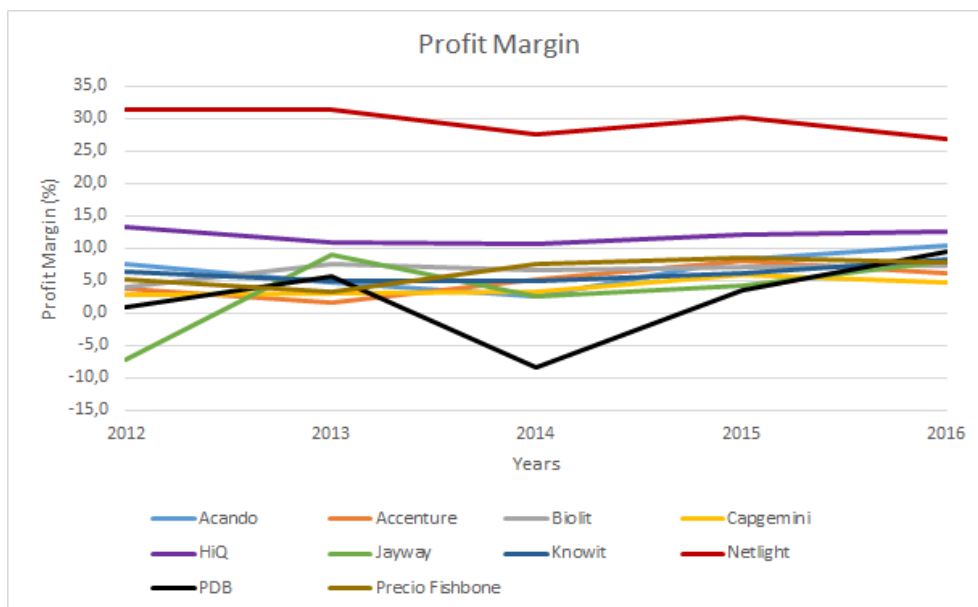


Figure 25 - Profit Margin - Competitors (Retriever, 2018)

Looking at the AT ratio in Figure 24 we can see that PdB is among the top four companies within this category, with a ratio of around 2. Other companies that come high up in this graph are Biolit, Jayway and later on also Netlight. Regarding the PM (Figure 25), PdB has had a very unstable margin, in comparison to the other companies' rather stable ones. In year 2016

PdB has a PM of almost 10 %, making them top four that year. Other companies that show a high PM are Netlight and HiQ who both have a margin over 10 % during the entire time series.

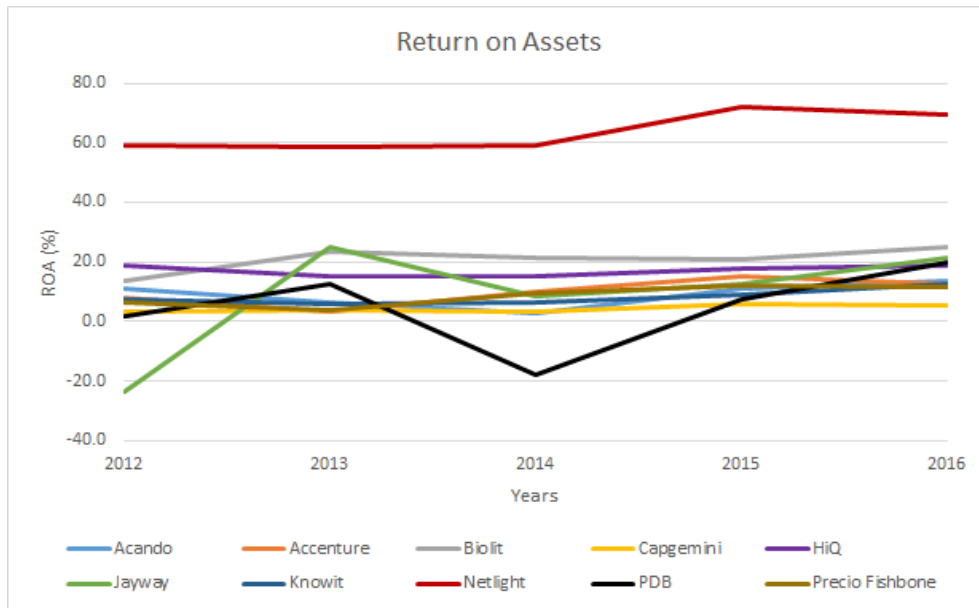


Figure 26 - ROA - Competitors (Retriever, 2018)

Due to the low PM in the previous years, it is not surprise that PdB does not have a too high ROA. We can clearly see that the increased PM in 2016 also increases the ROA, making the company top four that year. Netlight, who both had a high AT and PM naturally gets a very high ROA on 60 and later on 70 %. Also HiQ and BioIit are among the top over time. The majority of these companies have an ROA between 5-20 %.

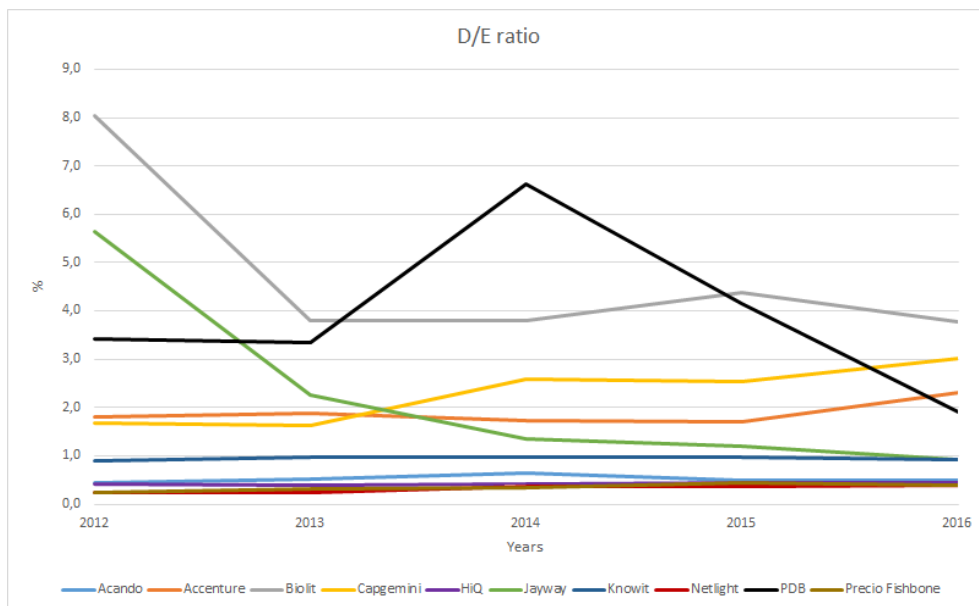


Figure 27 - D/E Ratio - Competitors (Retriever, 2018)

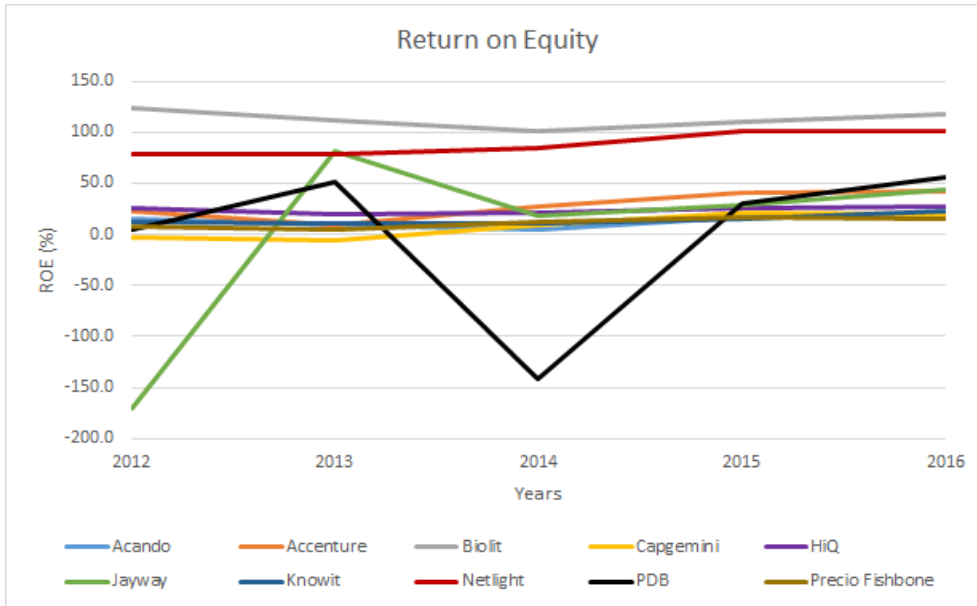


Figure 28 - ROE - Competitors (Retriever, 2018)

During the profitable years, PdB has had an ROE of around 50 % (Figure 28). This can be viewed as high compared to the others who lately has been in the span of 10-40 %. Also here, Netlight and BioIit are among the top. Worth noting is that the companies who have a high ROE might also have a high D/E ratio (Figure 27), which gives a leverage effect that increases the ROE.

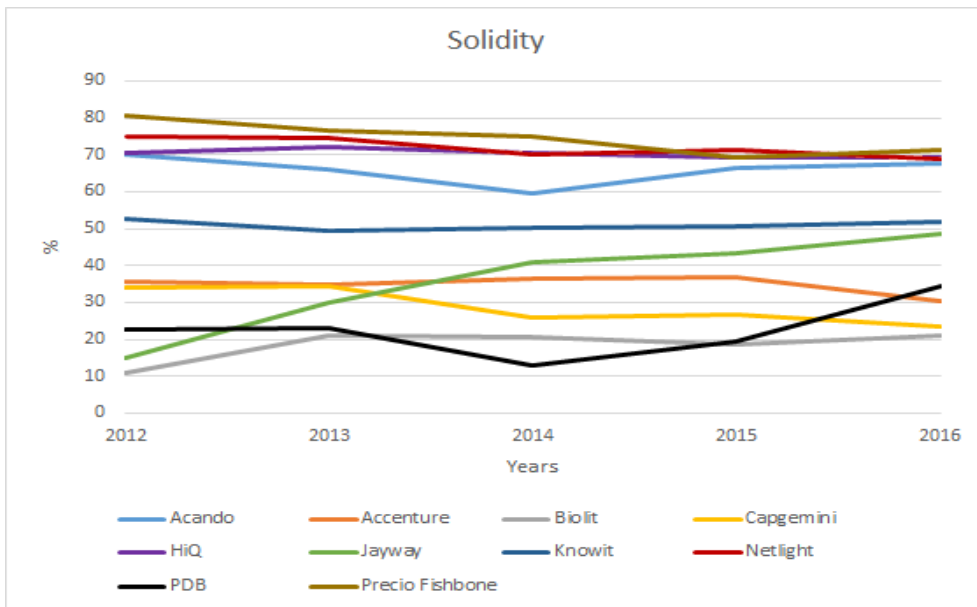


Figure 29 - Solidity - Competitors (Retriever, 2018)

As can be viewed in Figure 29, PdB's solidity has been among the bottom during this time series. What is interesting is that there is a huge difference in solidity among the compared companies. Precio, Netlight, HiQ and Acando has twice as high solidity as Capgemini, Accenture, BioIit and PdB.

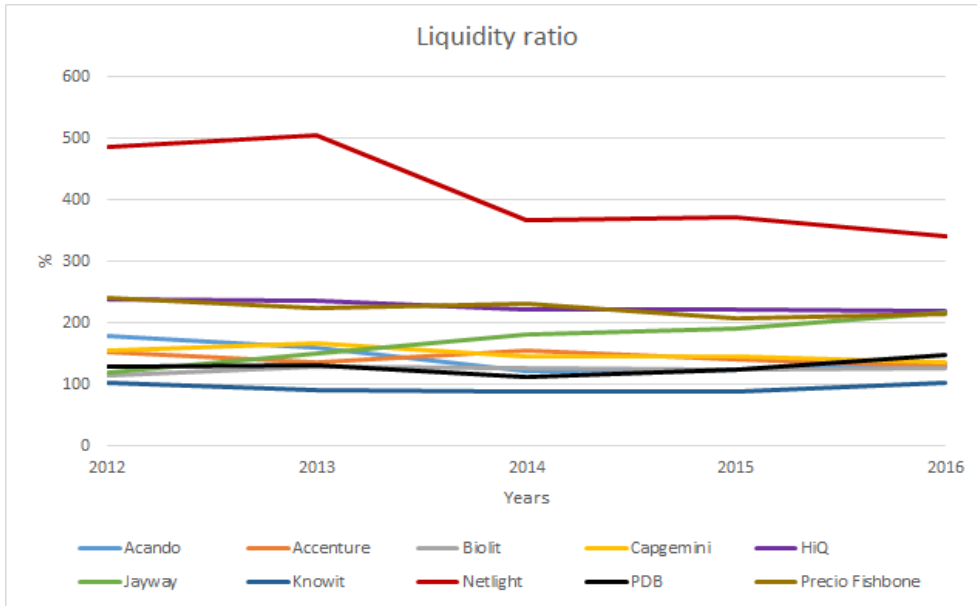


Figure 30 - Liquidity Ratio - Competitors (Retriever, 2018)

Except for Netlight, all the compared companies do have a rather stable liquidity ratio (Figure 30). PdB approximately places themselves in the middle.

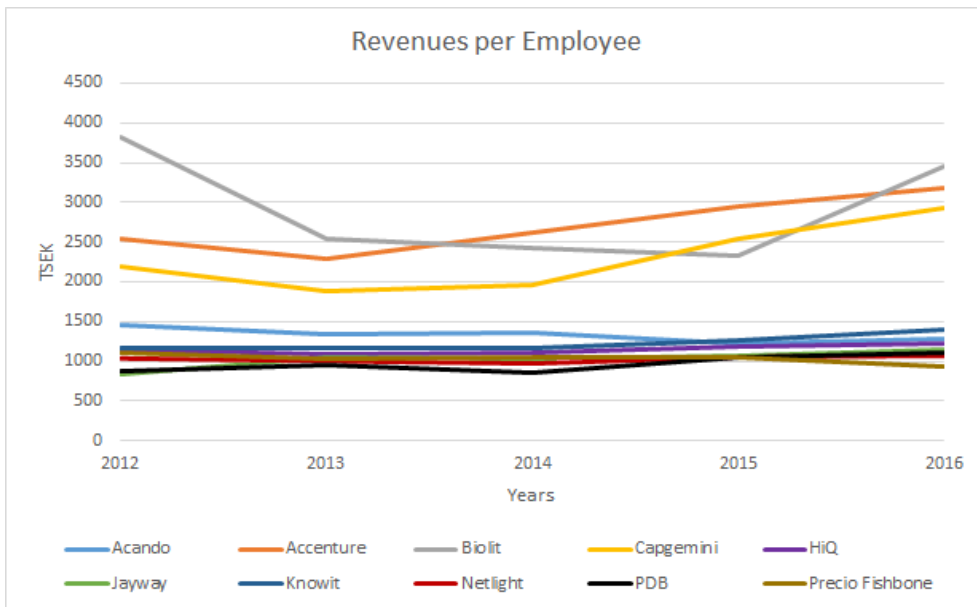


Figure 31 - Revenues per Employee - Competitors (Retriever, 2018)

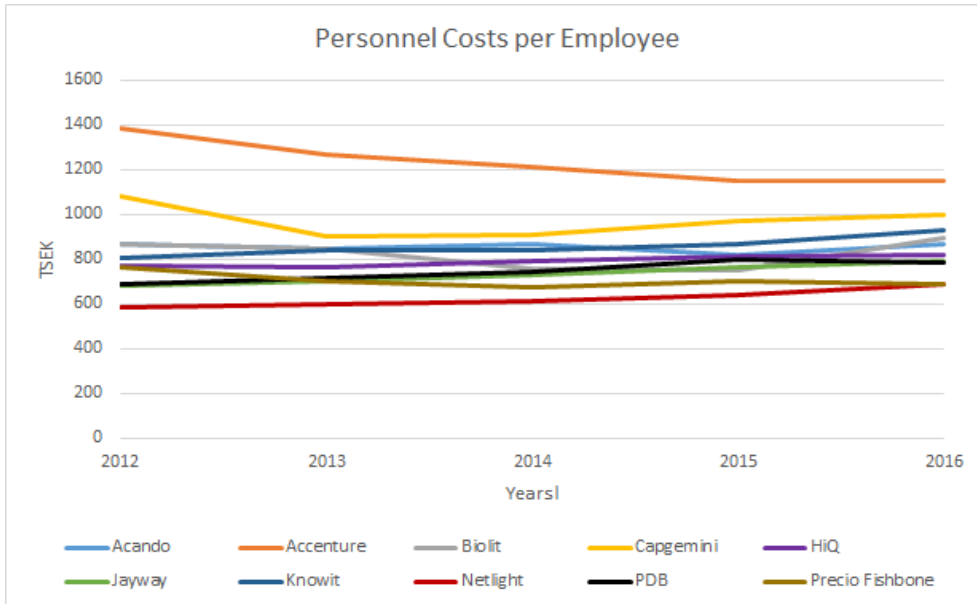


Figure 32 - Personnel Costs per Employee - Competitors (Retriever, 2018)

In the top of revenues per employee we find companies like Biolit, Accenture and Capgemini. Our case company PdB is to be found in the bottom with below 1000 TSEK in revenue per employee, but it reaches above 1000 TSEK in 2016 (Figure 31). In Figure 32 we can see that the same companies that have high revenues per employee (Accenture, Capgemini and Biolit) also have the highest costs per employee. PdB is within the middle, just below 800 TSEK per employee. Except for extreme values such as for Netlight (around 600 TSEK) and Accenture (1200 TSEK), the most normal seems to be between 800-1000 TSEK per employee.

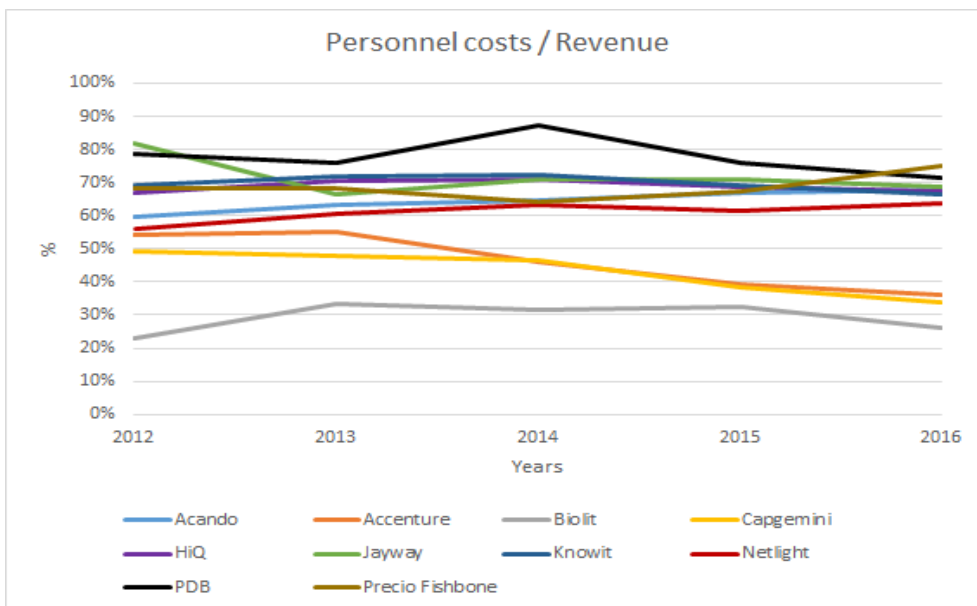


Figure 33 - Personnel Costs / Revenues - Competitors (Retriever, 2018)

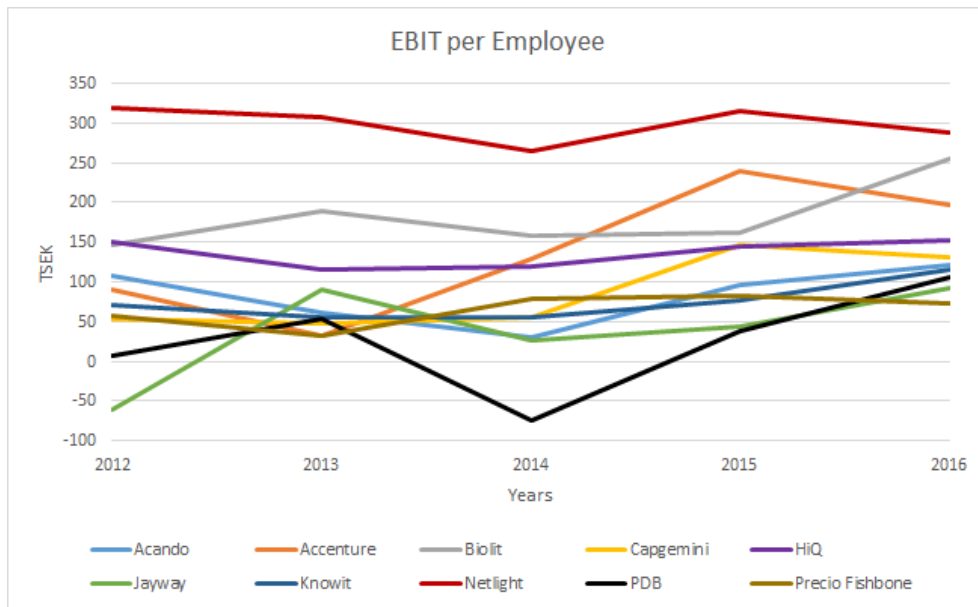


Figure 34 - EBIT per Employee - Competitors (Retriever, 2018)

In the category EBIT per employee, our case company PdB is to be found among those with the lowest EBIT. As we could see from Figure 33 and 34 above, PdB did not have a large gap between revenues per employee and total costs per employee, which of course reduces the level of EBIT per employee. Most recently, in 2016, PdB had a level of just below 100 TSEK in EBIT per employee. High numbers in this category belong to Netlight, Biolit, Accenture and HiQ who lie between 150 and 300.

Summary of the Comparison of PdB and its Competitors

| Comparison of 10 IT consultancy companies | Lower Quartile | Median | Upper Quartile |
|---|----------------|--------|----------------|
| Asset turnover ratio | | Pdb | |
| Profit Margin | | Pdb | |
| Return on Assets | | Pdb | |
| Return on Equity | | | Pdb |
| Debt/Equity ratio | | | Pdb |
| Solidity | Pdb | | |
| Liquidity | Pdb | | |
| Revenue per employee | Pdb | | |
| Pers.costs per employee | | Pdb | |
| Pers.costs / Revenue | Pdb | | |
| EBIT per employee | Pdb | | |

Figure 35 - Summary of PdBs "scores" - Competitors (Authors own)

Figure 35 summarizes PdB’s position in relation to nine of its competitors. In relation to these companies, PdB scores mostly at the lower quartile, or at the median value. These results are similar compared to the ratios from SCB.

5. Analysis

In this section, we analyze our empirical findings and put them in relation to our theoretical framework. The analysis will start with a short elaboration about PdB as a high-knowledge company and about the performance control. The following analysis will be structured from the perspectives of the balanced scorecard, and will end with a collective analysis of the whole picture.

5.1 Important Factors for PdB as a High-knowledge Service Company

PdB is a high-knowledge service company that possesses many of the characteristics mentioned by Ax et al (2015) and NE (2017); the company is very dependent on the employees and their skills, and constantly needs to evaluate and anticipate customer demands. In addition, the employees also comprises the majority of the cost. Hence it is common for consultancy firms to focus upon the performance indicator *chargeability ratio*, a ratio that explains the utilization of the employees and thus has a large impact on the revenues. NE (2017) further states that the degree of standardization is very low within these companies, which also can be stated regarding PdB's business.

Furthermore, according to Ax et al (2015) managers of knowledge companies get information about their operative business through informal channels and own observations rather than through formal information systems, which is referred to as management-by-walking-around. If the knowledge company is within the category of Small and Medium-sized Enterprises the used systems are often of very simple characteristics, which becomes a problem when the workforce starts to increase to around 100 people (Andersen et al, 2001). This is an interesting aspect since our case company currently has around 70 employees, and are aiming at increasing the workforce during the upcoming years. In addition, according to Ax et al (2015), it is common that a limited effort is spent on collecting data that can be used for organization analysis during good years. Eventually when times changes, the company thus finds itself with limited amounts of data to be able to detect their problems. In contrast to this, PdB has collected data for many years and thus possess huge amounts of information that can be analyzed. This makes it easier for the company to develop a strategic measurement model such as the BSC. The issue in this case is rather to choose the measures that are in line with the strategic objectives, which is an essential according to Liukkonen (2000).

5.2 Performance Control at PdB

The main objective of the business control is to enable a company to reach strategic objectives (Bedanand et al, 2014), and in order for companies to reach these objectives, control mechanisms need to be implemented (Ax et al, 2015). As presented in the results, our case company has some measures for their different areas. However, it is not very clear how all of the used measures are contributing to the strategic objectives in reality. Bedanand et al (2014) states that the goal of using measures for vital parts of the organization is to be able to control whether the actual outcome is in line with the expectations. At PdB it is not overly clear why they are using the current measures, but rather it is stated that they have been used for a long

time. However, some of the used KPIs fill necessary purpose and seem to be used within the industry, such as monitoring the chargeability ratio and a big focus on the profit margin.

PdB has one formal controller, and another employee who previously has worked as a controller and thus is very experienced within the field. Nevertheless, due to very high customer demand, both of the two controllers are nowadays occupied working with customer projects. Since the company has been delivering results that were above the expectations the most recent years, the function of business controlling has not been prioritized. As Mikušová and Janečková (2010) put it; knowledge has become such a basis for the growing wealth, and nowadays are demanded all over the world. It is apparent that PdB recently has taken advantage out of the promising market conditions, and now find themselves in a position where they are able to implement control mechanisms of their processes, thus perhaps should prioritize having at least one of their controllers more internally oriented.

5.3 PdB from a BSC Perspective

Due to the negative results a couple of years back, it is stated that PdB's main objective the last years has been to turn the profit from negative numbers to positive ones. The 10-10-00 objective from 2015 was set within the company as a guide for them to not only make profits, but also to have a determined level for the profit margin, growth and revenues. Therefore, the distinction between making profits and being profitable, as discussed by Johansson and Runsten (2014), is useful when talking about PdB's recent period. However, this objective was developed during the time period when PdB were in the middle of turning the company around. Therefore, this objective and its real importance for the company in today's conditions ought to be reevaluated. The initial goal was to reach the objective between the years 2015-2020, and with 2018's expected growth at 15% the objective will most likely be reached during 2019 at the latest.

PdB is however not only focusing on financial targets. Today, the company is making attempts to adopt long-term investments such as employer branding, customer diversification and plans of establishing a third office for a better geographical diversification and better possibilities for future growth. In this respect, the BSC can be a good framework for PdB in the sense that it creates a good picture of where the company is heading and what initiatives that will be necessary for getting there. The BSC is a strategic measurement and control system (Kaplan and Norton, 1996), and for our case company it could be valuable to have a collective picture of the corporate objectives considering that the business is currently undertaking some organizational changes. The BSC is believed to be useful in terms of identify and align strategic initiatives and connect feedback, individuals and departments to the strategic targets.

5.3.1 Vision & Mission

The first step when creating a BSC is to identify the corporate vision (Kaplan & Norton 1996). From the conducted interviews, it is clear that PdB currently do not have an explicit vision. It is hence vital that the company states a vision as an overall guideline which explains where the company expects to be in the future. Considering PdB's history of struggles, it is easy to

understand that questions like this has been set aside for a while. However, a lack of a vision do not align with the company's current strategic approach, which according to our picture is more from a long-term perspective. Further, the CEO of PdB has stated that he wants the owners to come up with a corporate vision. Implementing a sound vision could be an attempt that leads to a higher degree of stability within the firm, and according to Lindvall (2011) a move like this is almost essential for every company in terms of maintaining control, especially due to the degree of the occurring increasing competition.

The company needs to ensure that the employees, who are a key resource for service companies (Ax et al, 2015), are all moving in the same direction. PdB has made an attempt at making the employees moving in the same direction through the concept *moving forward*, which they want to be present in everything that they do, both internally and externally. It could however be further investigated to what extent all of the managers and employees interprets it the same way. Perhaps the company could benefit by specifying in a more concrete way what it actually means, in order to ensure a coherent interpretation by their employees. Worth mentioning is that 10-10-100 was elaborated by a majority of the interview respondents to describe PdB's current vision, which indicates that there is some unified direction within the company. Tightly linked to the vision are the mission and business idea, which explains why the company exists and what they provide for its customers. We believe that PdB has a very clear mission and a very clear business concept, which are tightly related to the core competences and hence the solutions offered by the company.

5.3.2 Strategy

The second step when creating a BSC is to translate the vision into a corporate strategy that will enable the company to reach the stated vision (Kaplan & Norton 1996). For our case company, it could be seen as an obstacle with an undetermined vision. However, the current strategy are to a large extent based on internal competences and are in line with the IT research company Radar's comprehensive analysis of the market, hence considered possible. The usage of analyses from Radar as a support for the company's strategic decision-making is considered a wise decision, since they contains a lot of information regarding changes within the industry, and thus enables PdB to adapt to potential market changes. Mikušová and Janečková (2010) supports this approach by their definition of one of the main challenges for organizations of today as the ability to cope and adapt to constant changes within the market. This makes us assume that it should not be that much of a hardship to create a vision based on the company's strategic approach. I.e. the clear mission, business concept and strategy should in our opinion make it relatively easy for the owners to state an explicit vision, which further will strengthen PdB's future focus.

PdB's strategic initiatives are both internally and externally oriented. Internally, the focus is for instance to have a stability within the company and a controlled growth. Externally, the strategy is to become more diversified when it comes to geographical presence and customer segment, and to be profiled in the market with specialized offerings that distinguish the company from its competitors. Mikušová and Janečková (2010) argues that companies who

mainly offer services that potentially could be offshored to low-cost countries, will most likely face issues as the markets change. The CEO acknowledges that this has occurred on some parts of the IT service industry, and that it is still an ongoing phenomenon. However, this affects mostly large volume IT services with lower degrees of customization. This implies that PdB should continue their approach in offering specialized solutions, as a means of maintaining their competitiveness.

According to Ax et al (2015), control mechanisms, whose main purpose is to control whether the actual outcome is in line with the expectations, need to be implemented in order for organizations to reach corporate objectives. This leads us to the third and final step within the implementation of a BSC, namely identifying objectives within the four perspectives BSC consists of: Financial, Customer, Internal Processes and Learning & Growth (Kaplan and Norton 1996).

5.3.3 Financial Perspective

In general, the largest cost for a consultancy firm is the personnel cost (Ax et al, 2015), thus it is obvious for PdB to monitor their chargeability ratio and meanwhile have a strong focus on the profit margin as well. Both the chargeability ratio and the profit margin needs to be high enough to cover all the costs of a company, and obviously high enough to generate a profits. Many of the financial indicators PdB is using are so called lagging indicators, which is the most common characteristic for financial KPIs. This means that they are output oriented and hard to influence, except for the chargeability ratio (Smith, 2003). In addition, the chargeability ratio is used both as a lagging and leading indicator. It is lagging in the sense that you cannot influence it too much on short notice, but it is leading since you can easily see from the company's forecasts what the ratio will be in the upcoming months. If it is too low, the company for instance could conduct more sales activities.

Financial measures are sometimes criticized for being too short-sighted and backwards-oriented, but are good in terms of the visualization of how well the execution of the strategy is contributing to the bottom line (Kaplan and Norton, 1996). The financial ratios used by PdB are to some extent connected to the strategy. For instance, a few of PdB's strategic objectives are to be profitable and to have a controlled growth, and in addition achieve some stability within the organization. Hence, vital indicators that PdB currently uses to monitor these objectives are the profit margin, chargeability ratio, liquidity ratio and solidity. The profit margin and chargeability ratio are used in order to remain profitable, and the liquidity ratio and solidity are followed to ensure a financial stability. Financial measures are also good to use when they are tied to operational activities (Kaplan and Norton, 1996). In PdB's case our opinion is that the financial ratios could be more tied to the operational activities, as to more clearly express how each activity is contributing to the measures. This could for instance be in terms of how each project is contributing to the indicators, or the level of efficiency within each separate project or the entire firm.

5.3.4 Customer Perspective

The respondents were unified in their opinion that everybody at the company are involved in the sales process, even though some of the employees contribute more than others. Ax et al (2015) states that it is common within the services industry that marketing and sales occur through ongoing interactions with customers, and highlights the importance of long-term relationships. Besides these day-to-day sales opportunities, PdB penetrates the market through a sales function and a marketing function. The marketing function is solely digital and focuses upon showing PdB's expertise aligned with their strategy of being experts within their field. Through a number of channels, the marketing manager provides the market evidences of the companies' skills by the help of reference cases. These cases are defined as a quality insurance, which is vital for companies to focus upon (Ax et al 2015).

Measuring of Sales

The employees within the sales department are not currently being measured in absolute figures of revenues, which is understandable since the function is currently under development. Instead of getting measured by revenues, the sales manager and sales representatives get measured by the number of interactions with customers. If these meetings lead to a deal or not is not included in the measurements, even though there is a believed correlation between number of customer meetings and closed deals. We argue that it could be necessary to actually try to extend the measures regarding number of sales meetings or sales attempts and actually closed deals. We assume that some of the customer meetings might only have the purpose of maintaining the relationship, and thus might not always lead to new business opportunities. However, by including more measures related to sales attempts could help making the sales strategies more clear and signal if they need to be revised. How many customer interactions that take place is something that the employees have a lot of influence over, and hence this is in line with what Smith (2003) refers to as a leading indicator. According to Eckerson (2006), leading measures are focusing on a potential future outcome and are easier to quickly influence by the organization.

Meeting Customer Demands

PdB stresses the fact that their customers have different definitions of what quality is, thus ensuring that you truly understand every specific customer and its needs by having continuous dialogues is a key factor to achieve a delivery of the desired quality. This enables the company to achieve a high knowledge about their customers and their businesses, which makes it possible to deliver the right quality. All of this is in line with Ax et al's (2015) findings regarding the importance of involvement of the customer within the production of the service. It is also in line with Kaplan and Norton's (1996) opinion that when creating measures for the customers, it is vital to ensure that the company's own definition of the measures are in accordance with the customers' definitions. Even though PdB stresses some important points within the customer perspective – like providing quality, creativeness and enable customers to save money in the future – the measures connected to this area are absent. Kaplan and Norton (1996) argue that there should be clear goals for the customer perspective which should be translated into specific measures. Since there is a lack of this kind of measures, we argue that PdB has a potential for improving measures within this area.

Target Segment

As mentioned, profitability is prioritized for PdB, and therefore the company chooses its customers carefully and only target customers with revenues above 500 MSEK. In addition, the desired level of each customer account is to generate more than 0,5 MSEK in revenues per year. According to the interviews, targeting customers that fulfill above criteria makes it is very unlikely that they end up with a non-profitable customer. Regarding the customers, one could argue that a categorization of projects, customers and segment based on profitability could be implemented in order to ensure accuracy in picking the right projects and customers.

5.3.5 Internal Business Perspective

According to Kaplan and Norton (1996) the internal business perspective should contain measures that reflects upon what the company must do in order to live up to the customers' expectations. At PdB, internally important areas regard planning, internal quality, communication, efficiency and pricing. Kaplan and Norton (1996) further states that many of these internal targets should be of a characteristic so that the employees themselves can influence them. According to us, the employees (i.e. consultants) at PdB have the possibility to influence for instance the quality, efficiency and communication, since it is the consultants that are conducting the majority of the work within the projects. However, from our interviews it seems that it is mostly the managers that are working towards these measures. This indicates that it is the managers who make follow-ups and monitor the different KPIs, and thus ensure that the targets are met. Thus, we believe that PdB could further develop the measures and targets within this field, to make it easier for the consultants to influence these on their own.

Planning

Planning is a vital part for PdB's internal business perspective. To make the planning as precise as possible, the company uses a tool where they continuously plan three months in advance. This gives PdB control over the employees' chargeability ratios and makes it easier for them to reach the objective of 80%. What is interesting is that the consultants' earnings seem to differ from project to project, depending on which role the consultants undertakes. As the situation at PdB has been described, some consultants undertake the same role in most of the projects (such as a project leader or architect). However, there also seem to be consultants with varied experience and skills who can undertake different roles, depending on the customer needs. Furthermore, some consultants are involved in many projects at the same time, and thus generate revenues from different projects. Meanwhile, the cost of the employees in terms of salary are constant. This indicates that the only way to calculate profitability based on chargeability is to calculate on an average price per hour. During good times this can be an appropriate approach, but in more critical times it could perhaps be appreciated to have a model that enables more accurate calculations, especially in order to quickly discover deviations. Ax et al (2015) gives this indication support when stating that it is important to closely make follow-ups to see how the time is allocated.

Measuring Costs

According to our respondents, there is enough data available to measure the consultants in a more detailed manner than what is done today. In other words, it is possible to see the exact costs and revenues per consultant. This could be an interesting factor to look at, especially to be able to compare different projects that have diverse degrees of profitability. By implementing a KPI that targets revenues and total costs per project, based on revenues and total costs per consultants involved, the company would grant quantifiable metrics that reflect the performance within every single project (Bauer, 2004). However, Camp (1989) implies that it can be hard to use such measures; often, the customer plays an important role regarding the rate of success of a project. This suggests that it might not always be fair to measure the specific consultants and projects separately, without taking the customer and their demands into consideration. As an example, one can assume that a project conducted at an old customer might run more smoothly than a project at a completely new customer, which of course will have an impact on the overall result of the project.

Pricing

PdB's projects are priced mainly based on two factors; the duration of the project and the consultant's role within the project. However, in PdB's business plan for 2018 it is stated that when having customer dialogues about projects, the focus should be on the provided customer value and not on the time-estimations. It is not, however, stated how this is supposed to be conducted. Kaplan and Norton (1996) mention that there need to be clear goals connected to the measures within the customer perspective. The aim of this change in focus is that PdB wants the price discussions to be related to the provided customer value, rather than how long the job takes. We believe that it can be valuable for PdB to have this approach, but we also believe that there need to be clearer guidelines in order for it to succeed. As we see it, there are two main ways that PdB can choose. Either, they try to enable more projects to rely on pre-packaged solutions, or, they could change their pricing model and base it on customer earnings. This means that PdB ought to have a model where they can show the customer how much money they will earn, how much more efficient the daily work will be, how much the sales can increase etc. and then base the project price upon that. One vital aspect about services is that the consumption and production takes place at the same time, and as a customer it can sometimes be hard to anticipate what one will actually get (Ax et al, 2015). This indicates that it is very important as a service provider to be able to show what outcome the services will provide. However, just because the focus is on the value proposition, it does not mean that the timeframe is useless; this is still vital since a customer will like to know how long the project will go on.

Efficiency

Efficiency is considered important according to the respondents, and this implementation could somehow constitute a metric regarding efficiency on a project level. If you are able to calculate specific figures on a single project that are categorized in advance, one could easily visualize the efficiency within the project. For instance, if the customer asks for a solution where PdB possesses the required competence and in addition has a packaged platform to base the new solution on; this project should have the possibility to be more profitable than projects that are

not based on packaged solutions. According to Ax et al (2015) the service industry is many times characterized by highly customized solutions. That implies that there might be obstacles in creating prepackaged solutions as they become more standard rather than customized. However, at PdB it is mentioned that projects with these kind of characteristics occurs, and often results in good margins, but it seems unclear if it is monitored as efficient as it could be. We also believe that it can be good if the company reflects internally about similarities and differences at customers, to be able to create more packages and increase the earnings.

5.3.6 Learning & Growth Perspective

According to Ax et al (2015), control mechanisms within an organization has the purpose of making it easier for companies to reach their objectives. One of PdB's main objectives, which also goes in line with the concept "moving forward", is the specialization of their services. The main target is to offer high quality services, but as the area managers have stated, it is sometimes hard to measure what a high quality really is. The Marketing Manager mentioned reference cases as one way to show quality, which is considered an effective method since it gives a clear picture of what PdB does and what value they provide for its customers. To be able to continuously improve the services – which Kaplan and Norton (1996) say is important from a learning and growth perspective – it could be good to have some more measures tied to finished projects. The aim of these measures could for instance be to pin-point what has been learned, what could have been done in a better way and how future projects with similar characteristics can be more efficient. However, in order to reach the corporate concept of moving forward, the company needs to make sure the consultants have both the incentives and the possibility to move forward on individual level as well. Kaplan and Norton (2001) states that the customer satisfaction to some extent could be seen as a reflection of the employee satisfaction. Considering PdB's very low staff turnover rate, one could make the conclusion that PdB do have satisfied employees. The employee satisfaction is also confirmed by the internal surveys conducted.

Competence Level

One element directly connected to the delivery of high quality services is the competence level of the consultants. Since the literature (Mikušová and Janečková, 2010) discuss the rapidly changing technology, it could be of importance to monitor the competence of the consultants in order to visualize potential room for improvements. According to the respondents, besides a relevant university education, the competence at the consultants is mainly derived from the ongoing projects, and to some degree training, courses and other opportunities for education offered by the company. It is also apparent that the competences differs a lot between the consultants, which creates a rather blurry overview of the overall competence within the organization. A good idea could thus be to map current competences, in order to display who know what, and to see what kind of education the consultants and company could benefit from undertaking. This could be one way to ensure that both the consultants and services are constantly under development, which according to Kaplan and Norton (1996) are vital components in being able to offer the customers what they want and need.

Uncharged Time

PdB continuously sets aside around 20% of its yearly capacity for internal issues such as time-reporting, planning activities, education of employees and overall improvements of the organization. According to Kaplan and Norton (1996) the activities undertaken within the learning and growth perspective are supposed to help companies adjust to changes. One can assume that since 20% of the time is intentionally uncharged, this means a large direct cost for the entire organization. This indeed makes it highly important to ensure that the uncharged time is well allocated. Therefore, we argue that measures that are oriented toward the monitoring of this uncharged time should be implemented. Furthermore, it is recommended that the measures for the learning and growth perspective are related to activities that strive at developing products, increase customer value and to increase the level of efficiency, which will increase current margins and revenues (Kaplan and Norton, 1996). PdB currently has some activities that ensure this, but our opinion is that the measures and goals for this area could be clearer. For instance, we believe that PdB should set aside some of the unoccupied time for creating more packaged solutions. Furthermore, a good way to develop both employees and the offerings, is to have internal workshops where different future scenarios can be elaborated as a means to find potential gaps in PdB's current business offerings. We believe that this approach can be much useful for the company, as many of its employees has huge amounts of experience and are probably much interested in newer kind of IT services and what the future demands will look like.

5.4 Collective view of PdB's KPIs

Performance indicators are needed and plays a key role in the business control, as it guides companies in the right direction (Yigitbasioglu, 2016). Our case company has a variety of KPIs that they are using. For instance, they are constantly following the profit margin, revenues, liquidity and solidity. They are also putting a lot of attention to the chargeability ratio, which is a commonly used KPI for all consultancy firms. Broadbent (1999) provides a lot of reasons for why KPIs are used, for instance to motivate employees and managers, signal deviations and to serve as a basis for decision making and resource allocation. He also states that KPIs can be used for getting hints about changes in the surrounding environment and to provide information about how well operations fit within long-term plans and objectives. At PdB, we get the feeling that they are to a large extent using their current KPIs in order to fulfill a similar function as described above. However, our analysis has shown that there are in fact some KPIs and measures that could be added in order to truly ensure that strategic objectives are met.

According to Bauer (2004) it is vital to ensure that KPIs reflect and are focused toward the strategic value drivers. To some extent, PdB's used KPIs are directed toward the strategy and strategic initiatives. There are, nevertheless, some strategic areas that do not have any sound KPIs connected to them. As an example, one part of the strategy is to have a controlled growth, but it is not really stated how to measure a controlled growth and what impact it will have on other parts of the business, such as the company culture. KPIs should also be connected to operational actions (Kaplan and Norton, 1992). PdB has some KPIs within this area, however their lack of KPIs regarding for instance efficiency, quality and project specific KPIs could be

questioned. From the analysis, we also got the feeling that it is sometimes hard to see how different KPIs are aligned and that some KPIs need a better clarification. As an example regarding the pricing of projects and consultants; on one hand it is based on the role the consultant undertakes within the projects, and on the other hand it is stated in the business plan that the price should be based on the provided customer value.

5.4.1 Financial and Non-financial KPIs at PdB

PdB uses both financial and non-financial KPIs. While the financial have been discussed in earlier sections, examples of the non-financial ones are to some extent the chargeability ratio, and customer and employee satisfaction. Important to note is that even the non-financial indicators do have a financial impact, but it is not directly tied to a financial metric, such as revenues are (Kald and Nilsson, 2000). Non-financial indicators are good to use since they complement the strictly financial, in the way that they can display inefficiencies in the organization. At PdB, the chargeability ratio is such an example that immediately will signal if something is wrong. However, in accordance to how Kaplan and Norton (1996) highlights the importance of non-financial KPIs, we believe that PdB could benefit from adding more of these in their business. The non-financial KPIs often have a more long-term focus, are easier for employees to relate to and are better at providing information about factors that create value and future profitability (Kaplan and Norton, 1996). Therefore, it is vital to include more indicators related to for instance quality, competitive factors, employees, customers, efficiency and speed of delivery. One hardship about the non-financial indicators is that it can be hard to see the impact they will have on the financial indicators, but on the other hand, they are much better at explaining how the business is going before it is stated in the financials (Ittner and Larcker, 2003).

5.4.2 Leading and Lagging Measures

Leading indicators are task specific and respond faster to deviations than the lagging and more results oriented indicators (Smith, 2003). PdB use mostly lagging measures, but uses some leading measures such as the chargeability ratio. In combination with the forecast for three months at a time, this ratio gives good hint about how the business is going and what the impact of it will be. However, it can be argued that more leading indicators could be implemented. This could for instance be to highlight indicators that in turn will affect the chargeability ratio, which as an example could be planned sales activities within the next four weeks. Using such an indicator will give the company a good chance to improve the outcome, which also is the purpose of the leading indicators. Furthermore, it can be good to include more leading indicators related to customers, since customers often are what determine future business opportunities. Another important aspect of why leading indicators are important to work with is that they are much easier for employees to actively work toward and can thus be influenced (Kaplan and Norton, 1996). It is also easier to break down lagging indicators to a couple of leading ones, to ensure that the desired outcome is achieved.

5.5 Financial Perspective in Relation to the Industry

Figure 23 and 35 (presented in section 4.3.1 and 4.3.2) show PdB's scores from a set of KPIs relative to companies in the same size and relative to some competitors. The results are alike in both comparisons, apart from that PdB perform somewhat better related to the companies in the same size. Both comparisons show that PdB has some areas where they could aim at improvement, and to see such things are one of the main reasons for conducting benchmarking (Ax et al, 2015). Our suggestion is not that PdB should strive at being in the top quartile of each KPI in the comparisons. Rather, the comparison is more to get a general overview of how our case company is performing relative to the market and to its competitors. In total, PdB mainly score at the lower quartile or at the median value.

According to our comparisons, PdB did underperform on some of the chosen KPIs. What is interesting is that even though PdB was struggling during the targeted period (2012-2016), the company were at the median value regarding factors such as ROE and ROA. This indicates that the company had a low amount of equity and total assets compared to the other companies in the comparison. This can most likely be explained by the fact that PdB pay out cash dividends to its shareholders in good times. Paying out cash dividends from the earnings – instead of retaining them to the ROE – will keep the equity at a lower level, and will thus increase ROE the upcoming year if the company manages to make a profit. On the other hand, PdB has focused a lot on keeping the liquidity ratio and solidity at a stable rate, which implies that the company will not pay out too much of its earnings, as this would lower the solidity and liquidity. Even though PdB was at the median value for ROE, there were many companies that showed a higher ROE during the time period 2012-2016. Most likely, the companies in the upper quartile might have a larger proportion of debt in relation to its equity or make larger earnings than PdB. This is of course related to what financial policy the company has and what kind of financial risk the company is willing to take on; the financial risk increases when the D/E ratio increases. According to our interviews, PdB is not explicitly managed by its D/E ratio, but as stated they focus on the solidity. The solidity also plays a vital role here, since a higher solidity will make it harder to generate a high ROE and vice versa. In the comparison, PdB does not get high scores on its liquidity ratio and solidity. However, both of these ratios are much better in 2016 than in the previous years, which indicates that the company has managed to turn these figures around.

Profitability combined with a controlled growth are the two financial targets that the case company currently focuses upon, which according to Bedanand et al (2014) also are the two most common objectives for an organization. These two targets are based upon the amounts of revenues, which are measured daily, monthly and annually. We can see that for the KPIs related to revenues, PdB are to be found in the lower quartile in a majority of the cases. Most disturbingly are the measures regarding Personnel costs / Revenues and Revenues per employee. In both of the comparisons, PdB is to be found within the lower quartile regarding these KPIs. Compared to the benchmarks, our case company uses a very large portion of their revenues to cover personnel costs. It is not surprising that the share is large – since personnel costs are the largest cost for service companies (Ax et al, 2015) – but compared to the market

and competitors it is indicated that this ratio could be improved. This goes hand-in-hand with the fact that the consultants at PdB generates low revenues per employee, compared to the rest of the market. Our case company also gets a low score on the KPI of EBIT per employee. In total, this indicates that it can be valuable to find ways that enable each consultant to contribute with more revenues and higher earnings. Again, since PdB wants to have a good profitability, we believe that actions which could improve those KPIs are necessary to take. Interestingly, PdB scores at the median value when it comes to personnel costs per employee. This indicates that the salaries paid by PdB are neither the lowest nor the highest within the industry. From this, it can be assumed that it is not overly high salaries that are the reason behind the low performance on the related indicators.

Related to profitability are the KPIs asset turnover ratio and profit margin. PdB's profit margin is at the median value in both comparisons. The asset turnover ratio is at the lower quartile compared to the market and at the median value compared to the competitors. The two KPIs are much related to ROA, which in both comparisons are at the median value. To be able to increase the profitability further, it can thus be explore what could be improved related to these indicators.

6. Final Discussion & Conclusions

In this section we conduct a final discussion and present our conclusions for the thesis. We start our discussion by going through concluding points from the balanced scorecard, starting from the perspectives in the bottom, and then on to the strategy, mission and vision. The discussion ends with our conclusions, where we provide a balance scorecard for PdB which is based on conducted interviews, the theoretical framework, corporate documents and on our benchmarks.

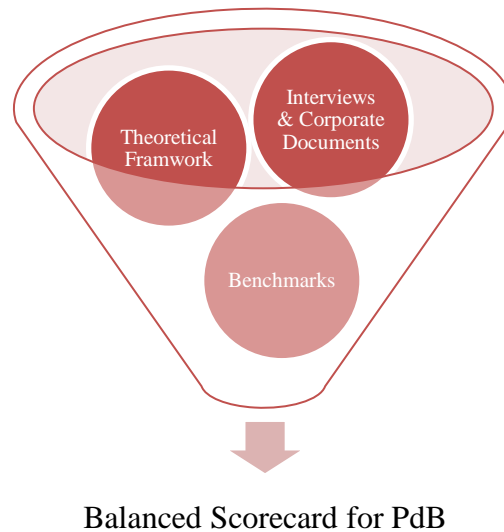


Figure 36 - Components of the conducted BSC

As presented in the results, our case company has some measures for its different business areas. However, it is not very clear how all of the used measures are really contributing to the strategic objectives. From above analysis, we have been able to detect objectives, measures and initiatives for the four perspectives of the BSC, which we have aligned with the strategic priorities and results of PdB. We also give suggestions of suitable targets related to these objectives and measures, but these might need to be revised internally to better suit the case company and its capacity. In the final discussion below, we elaborate on what areas PdB KPIs should be focused upon. Based on their strategy and mission, we also propose a suitable vision for our case company.

Learning and Growth

We propose the three strategic targets for this perspective as 1) Improve offerings, 2) Improve technology and 3) Improve skills & knowledge. These are objectives that we find vital in order to ensure that PdB remains in a competitive position within the market. The IT consultancy industry is under constant change and pressure, hence it is of high importance to have explicit objectives that will constantly develop the business and employees. These objectives can be measured by looking at how many internal attempts there are at improving offerings, how many new technologies that are introduced internally and by measuring the numbers of educational hours per employee. Some necessary initiatives that will enable fulfillment of the objectives are to start evaluating the current offerings. We also believe it is valuable to have internal

workshops and scenario planning about future technology, as a mean to cope with changes in the industry and in addition to ensure that the consultants' knowledge and experience are utilized within the company. We also propose that PdB should create competence matrixes for the consultants, to get a clearer picture of what type of competence is possessed and thus also what kind of education is needed and what kind of competences to employ.

Internal Business

Within this perspective of the firm, we propose the following three strategic objectives: 1) Increase efficiency, 2) Improve project profitability and 3) Strengthen the focus on provided customer value. This is what we believe the company must undertake internally in order to provide what the customers demand. These objectives can be measured in many ways; benchmarking other companies will give a good picture of the internal efficiency, and efficiency can also be visualized by conducting internal benchmarking where similar projects are compared to one another. An additional measure is number of packaged solutions that have been created during specific time period. One suggestion in order to improve the profitability is to implement a more systematic approach within the packaging process of their services. Since PdB wants the pricing of projects to be based on the value they provide to its customers – instead of letting the price to be too connected to the number of hours of the project or the role of the consultant within the project – it is also necessary to measure how many projects that are sold based on that approach. A bottleneck within the financial department was identified regarding the invoicing process, which needs to be upgraded to a version with less manual and time-consuming work, thus more efficient. Another measure related to the internal business is of course the chargeability ratio, which needs frequent monitoring. We regard the initiative of trying to reach an even level of the chargeability ratio among the consultants. Finally yet importantly, we believe there need to be categorizations and deeper comparisons of projects; there needs to be models created where sales representatives and area managers can show and calculate customer value.

Customer

For the customer perspective, we have identified the following three strategic objectives: 1) Improve clarity in value proposition, 2) Increase the share of public sector companies and 3) Maintain a high quality in customer projects. We argue that these objectives are necessary in order to keep and attract new customers. These objectives can be measured by looking at the total hours spent during the sales process of a new project, but also the number of sales attempts that actually leads to a deal. It is also interesting to look at sales share of the total project hours, i.e. each project should measure how many hours that are spent on sales activities since this number of hours constitutes a cost for PdB. The current evaluating process of efficiency in sales and marketing is considered a bit vague, and could thus be necessary to reconsider. The company also needs to continuously monitor the customer share of public authorities in relation to other segment, in order to ensure their growth within this sector. Finally, to ensure the correct level of quality, PdB needs to use measures such as customer surveys and measure number of deficiencies or complaints. Some initiatives PdB needs to undertake in order to reach these objectives are that they need to find ways of being able to evaluate the provided value proposition, and in addition educate the employees within this field. It is also important to

evaluate the perceived customer value from the customers' point of view, as there can be different definitions from company to company.

Financial

The objectives are rather straight-forward and are expressed as: 1) Increased revenues and earnings, 2) Increase level of profitability and 3) Decrease operating and overhead costs. If meeting the objectives from the previous perspectives, PdB should be able to count on reaching these objectives as well. Important measures connected to these objectives are indicators such as revenues per employee, revenue / personnel costs and EBIT per employee. It is also vital to make follow-ups on the profit margin and asset turnover ratio as to receive an acceptable level of return. In addition to this, we also suggest that the solidity continues to be measured as well as the ROE. Necessary initiatives to reach the financial objectives are to ensure price increases of the projects based on turning the focus toward selling a high customer value. Additionally, an implementation of tools that enable comparison between projects and consultants could contribute to the objective of increasing the level profitability. Consequently, this enables the company to increase the number of consultants while keeping the overhead personnel at the same level.

Strategic Priorities and Results

The strategic priorities for PdB can be summarized as 1) Having an internal stability and controlled growth, 2) Being diversified when it comes to customers and geographical presence and 3) To provide offerings based on their core competences which are connected to new technology. If PdB manages to live up to the strategic objectives elaborated in the four sections above and in addition remains the strategic priorities, we believe that the following strategic results will be reached: 1) PdB will remain being profitable and at the same time be able to slowly expand the business, while considering the stability within the firm throughout this process. 2) Diversification among customers and geographically will reduce risks and increase business opportunities. 3) Offerings based on core competences will ensure that a high quality is provided as well as it will make the value proposition toward the customers clearer. This, in relation to working with new technology, will most likely attract skilled employees, which further will add to the value proposition.

Mission and Vision

We believe that PdB has a very clear mission and a very clear business concept, which are tightly related to the core competences and hence the solutions offered by the company. PdB's current corporate mission can be summarized as "Moving our customers' businesses forward, by using the latest technology, being experts within our field and possessing a high knowledge about our customers businesses". As earlier mentioned, PdB does not have an explicit vision at the moment. It is the owners' responsibility to come up with a vision that they believe fits the company, but in the meantime, a vision we believe would suit PdB is: "To be the IT consultancy firm that is perceived as the most reliable partner that offers the highest customer value within our core competences". According to us, it is in this direction PdB is heading with their current mission and strategy.

Vision

To be the IT consultancy firm that is perceived as the most reliable partner that offers the highest customer value within our core competences

Mission

Moving our customers' business forward, by using the latest technology, being experts within our field and possessing a high knowledge about customers' businesses

Strategic priorities

Stability and Controlled Growth

Diversification in customers and geographical presence

Offerings based on core competences & new technology

Strategic results

Allow profitability while slowly expanding our business and remaining our stable company culture

Lower risks and increased business opportunities, by exploring new places and customer segment

Will ensure that a high quality is provided and will clarify our value proposition for the customers, as well as attracting skilled employees

Business Objectives and Strategy Map

Measures

Targets

Initiatives

Financial

Increase revenues & earnings

Increase level of profitability

Decrease operating & overhead costs

1. Revenues per employee
2. Revenue / Personnel costs
3. EBIT per employee
4. Profit margin & Asset turnover ratio
5. Solidity
6. ROE

1. > 1500 TSEK per employee
2. < 60%
3. > 150 TSEK per employee
4. > 10 % and > 2 times
5. = 90 %
6. > 50 %

1. Price increases based on selling a high customer value
2. Comparison of projects / consultant with higher resp. lower profitability
3. Increase level of consultants and remain overhead personnel

Customer

Improve clarity in value proposition

Increase share of public authorities

Maintain high quality

1. Number of hours spent on selling in a deal
2. Public authorities' share of customer segment
3. Number of sales attempts that leads to a deal
4. Sales as share of project hours
5. Customer surveys
6. Number of deficiencies

1. Maximum 20 hours
2. > 20 %
3. > 20 %
4. < 20 %
5. 1 per year
6. < 5 % per year

1. Evaluation & education in value proposition
2. Marketing and sales activities toward desired customer segment
3. Create better measurement methods for sales & marketing
4. Evaluation of perceived customer quality

Internal Business

Increase efficiency

Improve project profitability

Strengthen focus on provided customer value

1. Benchmark other companies
2. Internal benchmark of similar projects
3. Number of new packages
4. Share of projects sold based on customer value vs based on hours/role of consultant
5. Chargeability ratio

1. > median value in total
2. Maximum 10 % deviation in profitability
3. > 4 per year (one per area)
4. > 30 % value based
5. > 80 %

1. Packaged solutions
2. Upgrade to faster billing system
3. Categorization and comparison of projects
4. Models for showing & calculating customer value
5. Strive for even chargeability ratio among the consultants

Learning & Growth

Improve offerings

Improve technology

Improve skills & knowledge

1. Number of attempts of improvements of offerings
2. Number of new technologies
3. Number of education hours per employee

1. > 5
2. > 2 per year
3. > 40 hours

1. Evaluation of offerings
2. Internal workshops for improvements
3. Scenario planning about future technology
4. Competence matrix for consultants

Figure 37 - PdB Balanced Scorecard (Authors own)

6.1 Conclusions

This thesis aimed at answering the research question “*Considering current internal state of PdB and the industry conditions, what areas of the business should PdB’s KPIs be focused upon?*” Through an internal investigation of PdB in combination with a brief comparison with the IT consultancy industry, we have been able to detect which areas and KPIs our case company KPIs should focus upon. The answer to our research question is presented in the balanced scorecard above (*Figure 37*), which is built directly on the final discussion. We provide suggestions of aligned objectives from the different company perspectives. These objectives are connected to useful measures, targets and necessary initiatives that will ensure that the objectives are met.

We can conclude that PdB has a rather good control of its business and are currently using some important KPIs. However, our study enabled us to discover several useful indicators which the company could pay more attention to in order to ensure the fulfillment of their strategic objectives. For instance, we realized a lack of KPIs related to efficiency and quality in our case company. Therefore, we have included some measures and initiatives that potentially could increase the efficiency, and additionally ensure that a high quality is provided, both internally and externally. As suggested in the BSC (*Figure 37*), we believe it could be of importance to measure and compare projects, and to systematically try to create more packaged solutions as a mean to increase efficiency and profitability. We have also included stricter measures for education and improvement of offerings, since it is believed vital to have a controlled approach regarding the development and growth of the company.

Furthermore, it is considered necessary to ensure an alignment between the strategic objectives and the corporate strategy and vision. In the balance scorecard (*Figure 37*), we propose a vision that we believe could fit PdB based on the information we were given. Nevertheless, it is the owners’ responsibility to come up with a vision. However our proposal could be used as a source of inspiration. We believe that a vision from the owners is necessary to better guide the company in its future actions. Worth mentioning is that PdB has a very clear corporate mission, hence enabled us to conduct a suitable balanced scorecard without a vision. Furthermore, we highlight the importance of having someone who works fulltime with the internal business control, in order to ensure that objectives and measures are monitored and improved. Finally, we believe and conclude that in a potential implementation of our balanced scorecard, some necessary changes to the initial proposition will most likely be needed. During implementation phases it is common that previously unknown or missed factors arise, which create a need for reevaluation and action.

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8. Appendix

Appendix 1

Interview Guide Initial interview; CEO, Finance, Business Controller 1

- PdB och verksamhetsområden, vilket är störst, vilket är man bäst på, vilket område är mest lönsamt och varför?
- Vem/Vilka äger bolaget? Vad är deras vision för PdB?
- Hur ser PdBs nuvarande controller-funktion ut? Hur jobbar man med kontroll nu?
- Vilka styrmedel används? Formella styrmedel, organisationsstruktur, mindre formella?
- Vilka är PdBs viktigaste nyckeltal?
- Varför använder man just dessa; vad tillför de företaget i relation till långsiktiga mål?
- Hur sätter man mål för olika nyckeltal? Hur säkerställer man att de nås; hur följs de upp?
- Jobbar PdB mot ickefinansiella nyckeltal såsom mångfald, jämställdhet, miljö, kundnöjdhet etc?
- Vilka management-områden är PdB bra på och vilka behöver ses över / är under utveckling?

Hur kommer IT-konsultbranschen att se ut om 5-10 år? Vad är det för långsiktiga konkurrensfördelar man kan ha som IT-konsultbolag som gör att man fortfarande är lönsam på marknaden då?

 - o (Finns flera bolag på marknaden - noterade & onoterade - och många känns väldigt lika. Vad är det som utgör långsiktiga konkurrensfördelar som gör att kunder kommer vara återkommande år efter år? Är det framför allt pris man konkurrerar med?)
- Hur ser man till att kompetens, kunskap & värde stannar hos bolaget? Finns största delen av kompetensen hos personalen eller i affärsmodellen? Om den finns hos personalen, vad händer när nyckelpersoner slutar?
- Nu har det varit bra tider för it-konsultbranschen. Hur kommer detta utvecklas de kommande åren och vad får det för påverkan?
- Hur ser möjligheterna ut för att kunna höja timpriser ut mot kund?
- Upplever man/kan det komma att bli ett problem med att marginaler är pressade och lönerna är för höga?
- Hur jobbar PdB med konkurrens och prispress?
- Vilka utmaningar förväntas branschen stå inför framöver?
- För konsultfirmor är personalen största tillgången samt största kostnaden. Hade PdB kunnat tjäna på att standardisera tjänster och minska personalomkostnader/risk. Hur jobbar man med det?
- Är det stor skillnad i vad man får för produkt/tjänst beroende på vilket IT-konsultbolag man väljer? Hur vet man som kund vilket bolag man bör vända sig till? Avgörande faktorer för kunderna?
- Hur ser PdBs affärsmodell ut? Går det utveckla affärsmodellen för att erbjuda sådant som de andra it-konsulterna inte erbjuder?

Appendix 2

Interview Guide Marketing

- Vad är dina huvudsakliga arbetsuppgifter på PdB?
- I PdBs dokument för ledning och styrning står att marknadsansvarig bland annat bär ansvaret för att utifrån affärsplanen genomföra aktiviteter som marknadsför bolaget samt ta fram en marknadsplan - Hur jobbar du med detta? Hur är detta jobb länkat med övriga avdelningar?
- Hur upplever och arbetar du mot följande:
 - o PdBs Vision
 - o PdBs Strategi
 - o PdBs Långsiktiga resp Kortsiktiga mål
- Hur delaktig är du i de årliga målbilder som sätts upp?
- PdBs Nyckeltal - och vilka nyckeltal är det främst du jobbar mot och kan påverka i din roll?
- Vilka kunder och kundsegment är det främst man försöker marknadsföra sig mot? Dvs målgrupp.
- Krävs olika typer av marknadsföringsaktiviteter för olika kunder/segment?
- Hur mäter man om en marknadsföringskampanj varit lönsam?
- Hur fungerar effektiviseringsarbete inom marknadsföringsprocessen?
- Hur mäts marknadsläget och affärsmöjligheter?
- Hur får du återkoppling om sådant som rör din avdelning och andra avdelningar? Dvs. hur sprids information?
- Hur delaktig är du som marknadsansvarig i erbjudandeutvecklingen?

Appendix 3

Interview Guide Finance

- Vad är dina huvudsakliga arbetsuppgifter på PdB?
- Hur upplever och arbetar du mot följande:
 - o PdBs Vision
 - o PdBs Strategi
 - o PdBs Långsiktiga resp Kortsiktiga mål
- Hur delaktig är du i de årliga målbilder som sätts upp?
- Vilka nyckeltal är det främst du jobbar mot och kan påverka i din roll?
- I dokumentet för ledning och styrning omnämns att du genomför analys av månadsbokslut samt nyckeltal - Vilka nyckeltal åsyftas och hur görs denna analys?
- Hur presenterar du resultat och hanterar avvikelser från uppsatta mål?
- Hur är ditt jobb länkat till övriga avdelningar?
- Hur får du återkoppling om sådant som rör din avdelning och andra avdelningar? Dvs. hur sprids information?
- Vilka kunder/segment och affärsområden är mest lönsamma respektive mindre lönsamma?
- Kostnader:

- Störst personalkostnader; 67 %
- Övriga externa kostnader; 18,8 % - vad ingår i denna post?
- Mäts sådant som är relaterat till medarbetare, såsom Ledighetsskuld, Sjukfrånvaro och Övertid?

Appendix 4

Interview Guide Sales

- Vad är dina huvudsakliga arbetsuppgifter på PdB?
- I PdBs dokument för ledning och styrning står att säljchef är ansvarig för all försäljning i relation till affärsplan och försäljningsmål per säljare - Hur jobbar du med detta? Hur är detta jobb länkat med övriga avdelningar? Hur är det relaterat till din personalstyrka?
- Hur upplever och arbetar du mot följande:
 - o PdBs Vision
 - o PdBs Strategi
 - o PdBs Långsiktiga resp Kortsiktiga mål
- Hur delaktig är du i de årliga målbilder (årsbudget försäljning) som sätts upp?
- Vilka nyckeltal är det främst du jobbar mot och kan påverka i din roll?
- Hur tar man fram de säljmål som gäller för respektive säljare/affärsområde? Hur mäts detta?
- Vilka kunder/segment är lönsamma respektive mindre lönsamma?
- Vilka affärer tackar man ja respektive nej till, och varför? Eventuella riktlinjer man jobbar efter?
- Vilka kunder är mest priskänsliga och hur jobbar man med prissättning?
- Vilka kundsegment är det ni försöker sälja in er hos? Hur ser fördelningen ut?
- Är målbilden fördelad på befintliga respektive nya kunder? I så fall hur?
- Hur fungerar effektiviseringsarbete inom försäljningsprocessen?

Appendix 5

Interview Guide Business Controller 2

- Vad är dina huvudsakliga arbetsuppgifter på PdB?
- Hur är ditt jobb länkat med övriga avdelningar?
- Hur upplever och arbetar du mot följande:
 - o PdBs Vision
 - o PdBs Strategi
 - o PdBs Långsiktiga resp Kortsiktiga mål
- Hur delaktig är du i de årliga målbilder som sätts upp?
- PdBs Nyckeltal - och vilka nyckeltal är det främst du jobbar mot och kan påverka i din roll?
- Hur presenterar du resultat och hanterar avvikelser från uppsatta mål?
- Hur får du återkoppling om sådant som rör din avdelning och andra avdelningar? Dvs. hur sprids information?

- Då du tidigare jobbat mycket med controlling:
- Är du involverad i PdBs controllerfunktion?
- Hur upplever du att PdB jobbar med Business Controlling?
- Hur märker du som konsult av PdBs controller-funktion?
- Hur jobbar man med kvalitet och effektivisering på PdB?
- Vad menas med leveranskvalitet i projekt och hur jobbar man med det?

Appendix 6

Interview Guide Area Managers

- Vad är dina huvudsakliga arbetsuppgifter på PdB?
- I PdBs dokument för ledning och styrning står att affärsområdeschef är ansvarig för erbjudandeutveckling och marknadsanalys - Hur jobbar du med detta? Hur är detta jobb länkat med övriga avdelningar? Hur är det relaterat till din personalstyrka/leveransorganisation? Hur ofta tas nya erbjudanden fram?
- Hur upplever och arbetar du mot följande:
 - o PdBs Vision
 - o PdBs Strategi
 - o PdBs Långsiktiga resp Kortsiktiga mål
- Hur delaktig är du i de årliga målbilder som sätts upp?
- PdBs Nyckeltal - och vilka nyckeltal är det främst du jobbar mot och kan påverka i din roll?
- Hur presenterar du resultat och hanterar avvikelser från uppsatta mål?
- Leveranskvalitet i projekt, hur säkerställs det? Följer även upp effektivitet i projekt, hur?
- Vad är kunder oftast nöjda respektive missnöjda med?
- Vilka kunder är lönsamma respektive olönsamma?
- Finns det erbjudanden som kunderna har krav/önskemål om att ni ska erbjuda, som ni i dagsläget inte gör?
- Hur får du återkoppling om sådant som rör din avdelning och andra avdelningar? Dvs. hur sprids information?
- Hur fungerar det med prissättning i ditt team? Vad är genomsnittligt timpris i år och tidigare år?
- Hur hög debiteringsgrad har ditt team, nu och tidigare år? Vilken nivå är önskvärd enligt dig?
- När din personal inte är belagd hos kund, vad gör de i huvudsak då? T.ex. utbildning, teambuilding eller säljaktiviteter. Och hur följs det upp?
- Vilka faktorer är viktiga för att de anställda ska trivas och göra ett bra jobb?
- Är konsulterna som jobbar under dig medvetna om företagets nyckeltal och jobbar de aktivt mot dem?