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An empirical study of the Balanced Scorecard as a flexible strategic management and reporting tool

Laura Broccardo

Abstract

The *goal* of this study is to point out two relevant aspects of the Balanced Scorecard development.

The first aspect regards the *flexibility* of this tool. Although Kaplan and Norton, in the architecture of the BSC, identify four perspectives, these are not a bound prescription. The Balanced Scorecard should be in fact a “dress made to measure” for every specific organization. To effectively represent the firm’s strategy it is necessary to identify and develop specific indicators for every stakeholder category. In some cases it is also useful to consider other stakeholders in addition to the classical ones (shareholders, customers and employees). In the sample analysed it was necessary to add one further stakeholder, which impacts significantly on the profitability of these firms. In the case of the BSC such results could be obtained by adding a new perspective (five instead of four), thus underlining the flexibility of the tool.

The second aspect concerns the innovative applications of this tool in the *reporting process*. The BSC is a tool for management and not only for performance measurement. Considering the BSC as a guide in the reporting process, its use was tested to highlight the achievement of goals, the correctness of the key actions and the causes of success and failure.

The research was conducted through the *exploratory case study method*. The choice of a case study is one of the most appropriate methods of empirical inquiry, as qualitative studies are rendered necessary where organizational processes are involved, and also because budgetary practices and procedures have traditionally been investigated within the organizational context in which they operate (Yin, 1990; Hofstede, 1968; Hopwood, 1972). The results are based on *interviews* with the management. The *sample is composed of three firms* that operate successfully in the quick-service industry.

The *relevance* of this research was justified by the growth of the quick-service industry and also by the sample analyzed, which includes companies operating with success on both the Italian and foreign markets. This study contributes to emphasizing the evolution of the BSC as a flexible strategic management tool.

Keywords: balanced scorecard, flexible tool, innovative reporting.

1 – Introduction

In their book, Robert S. Kaplan and David P. Norton (1996) define the Balanced Scorecard as a *strategic management system*.

The Balanced Scorecard is used to guide current as well as target future performance by looking at measures in four categories: financial performance, customers, internal business processes, and learning and growth. More specifically, the organization wonders: How do we look to resource providers? How do customers see us? Are we productive and effective? Can we sustain excellence over time (Givens, 2000)?

In order to enhance clarity and utility, Kaplan and Norton proposed that the number of measures on a

Balanced Scorecard should also be constrained in number, and *clustered into four groups* (Kaplan and Norton, 1992, 1993). This is, however, not a bound prescription. The Balanced Scorecard should be a “dress made to measure” for every specific organization. To effectively represent the firm’s strategy it is necessary to identify and develop specific indicators for every stakeholder category and to consider other stakeholders in addition to the classical ones (shareholders, customers and employees).

For instance our sample considered *another stakeholder*, which impacts significantly on the profitability of the firms under scrutiny. In the BSC such a result could be obtained by adding a new perspective (five instead of four), thus underlining the flexibility of this tool. In this study the word “*flexibility*” refers to the capability of the BSC tool to adapt to every

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situation and to offer new perspectives from which new stakeholders can be considered.

In addition, this study underlines the use of the BSC in the *reporting process*. The BSC is a tool for management and not only for performance measurement. Considering the BSC as a guide in the reporting process, this research tested efficacy in highlighting the achievement of goals, the correctness of certain key actions, and the causes of success and failure.

This paper is organised as follows. Firstly, it analyses the theoretical background, which allows the Balanced Scorecard to be adapted to diverse situations. Secondly, the research method is outlined, as well as the features of the Strategy Map and BSC for those firms which constitute the sample. Finally, some managerial implications are drawn as conclusions.

2 – Theoretical Background

Over the past decade, the nature of the BSC has evolved. As companies have used the methodology and achieved tangible results, the role of the BSC has grown to become the foundation of an integrated and iterative strategic management system. The BSC has become a framework for implementing and managing strategy at all levels of an organization. Since the concept was introduced in 1992, BSCs have been implemented at corporate, strategic business unit, departmental, shared-service, and individual levels at hundreds of organizations worldwide, in both private and public business and healthcare sectors (Voelker K. E., Rakich J. S., French G. R., 2001).

At the beginning Kaplan and Norton (1992) advocating a performance measurement system to identify four perspectives - financial, customer, internal business process, and learning and growth - but they also assert that their formulation of the Balanced Scorecard should be modified for every organization to better fit the strategy. In the article "Putting the Balanced Scorecard to Work" (2003), however, Kaplan and Norton cautioned that the balanced scorecard "is not a template that can be applied to businesses in general or even industry-wide." They stressed the need for the BSC to be customized to meet the needs of the different markets, strategies, and environments of each and every organization (Bible L., Kerr S., Zanini M., 2006).

Despite the evolution of the BSC in the literature, there is an abundance of articles which show the classical use of the BSC, but only a few authors emphasize, for example, *the possibility to consider further perspectives or the possibility to modify its classical use by changing the perspective hierarchy*, thereby clearly underlining the effectiveness of the BSC in representing and measuring the strategy in different kinds of organizations.

The possible use of diverse perspectives highlights the ways that the BSC can be adapted to meet

the unique needs of various organizations. The hierarchy of the perspectives on the BSC, as well as the perspectives themselves, may vary among different types of organizations and the environments in which they exist. Many not-for-profit organizations have altered the BSC hierarchy by placing their mission statements at the very top, with customers directly below this (Kaplan and Norton 2000). Changing the scorecard does not change the nature of the model itself; it reflects strategy (Voelker K. E., Rakich J. S., French G. R., 2001).

In the literature linked to the Health Care System there are articles (e.g. Zelman, Pink and Matthias) with some examples of additional balanced scorecard perspectives or BSC modifications used by healthcare organizations that show clearly how the Balanced Scorecard tool is adaptable, also giving some advantages such as helping organizations guide the implementation of strategic planning and reporting on critical outcomes (Zelman, Pink, Matthias, 2003).

Some authors, even if not a large number, underline the flexibility and the capability of this tool to adapt to different organizations.

Sushil states that the Balanced Scorecard is a strategic management system that translates strategy into action: it is balanced on multiple fronts, such as short and long-term objectives, financial and non-financial measures, lagging and leading indicators, external and internal performance perspectives. It is widely used to review the implementation of strategy in a large class of organizations. Though the Balanced Scorecard appears to be balanced, with four perspectives of the strategic performance management system – i) Financial perspectives, ii) Customer perspectives, iii) Internal Business perspectives and iv) Learning and Growth perspectives – there are a number of *areas that require further balancing*. The crucial areas that need to be addressed include: balance of enterprise and customer factors, balance of continuity and change forces, balance of reactive and proactive drivers, balance of internal and external actors, and balance of internal and external processes (Sushil, Global Journal of Flexible Systems Management 2008, Vol. 9, Nos. 2 & 3, pp III – IV).

Pandey (2005) affirms that the Balanced Scorecard is a system combining financial and non-financial measures of performance into one single scorecard. It includes performance measures for four perspectives: financial, customer, internal business processes, learning and growth (innovation). It need not be restricted to four perspectives; *more may be added*.

In their article, Cobbodol I.M. and Lawrie G.J.G. conclude that "during the 10 years since the advent of BSC many changes have been made to the *physical design*, utility and the design processes used to create the tool within the organisations. This evolution of BSC, at least in terms of these three parameters, can be largely attributed to empirical evidence driven pri-

marily by observed weakness in the design process rather than in the architecture of the original idea.”

Baraldi S., Bocci F., Bubbio A. underline that a feature characterizing the BSC is its architecture by perspectives. In the relevant scientific literature *bound prescriptions about BSC architecture* do not exist, particularly those that refer to number, type and order of the perspectives themselves. Similarly Kaplan and Norton, in their works, never place any particular restrictions on the perspectives: they only propose the best architecture, in their opinion, for different organisations.

Concerning the use of the BSC as a guide in the reporting process, Kaplan and Norton affirm in a 2001 article that “the process for learning and adapting the strategy evolves. The initial Balanced Scorecard represents hypotheses about the strategy; at time of formulation it is the best estimate of the actions expected to create long-term financial success. The scorecard design process makes the cause-and-effect linkages in the strategic hypotheses explicit. As the scorecard is put into action and feedback systems begin their reporting on actual results, an organization can test the hypotheses of its strategy. Some, like Brown & Root and Sears, did the testing formally, using statistical correlations between measures on the scorecard to determine whether, for example, employee empowerment programs were increasing customer satisfaction and improved processes. Others, like Chemical Bank, tested the hypotheses more qualitatively at meetings where managers validated and refined the programs being used to drive service quality and customer retention”.

Bible L., Kerr S., Zanini M. (2006) affirm that “The balanced scorecard may become an effective moderating variable that can indicate whether the financial results are in accordance with the strategic choices or by other means”. They also assert that the use of the balanced scorecard may be extended to external reporting, and they quote Skandia, a Swedish insurance company, which published a supplement to their annual report that discusses the fiscal year in balanced scorecard terms.

In a research conducted by Iselin, Mia and Sands (2008) they found that the strength of the alignment of the strategic goals and the performance reporting measures was positively related to 10 of the 13 organisational performance dimensions examined. They conclude that performance reporting emphasis on a particular dimension would be positively associated with organisational performance in the area of that dimension. They found that this positive association covers all four perspectives in the BSC.

In the article “Balanced Scorecard: an agenda for the future” Baraldi S., Bocci F., Bubbio A. state that the BSC is a tool for management and not exclusively for the simple measurement of performance, and they press its use as a guide in the reporting process.

Considering all these assertions, it is clear that the BSC can be used as a *guide in the process of reporting* to emphasize the level of goal achievement, the correctness of actions taken to reach them, and the causes of success or failure, in order to assess the need to revise the strategies undertaken.

3 – Research method

3.1 – The method and the survey tool

The research was conducted through both the *empirical analysis of three exploratory cases* and interviews.

The complexity of case studies stems from their involving multiple sources and from their yielding large amounts of data. Researchers from many disciplines, however, use this method to develop existing theories, to produce new ones, to dispute or challenge certain theoretical approaches, to explain a situation, to provide a basis to apply certain solutions to a given situation, and to explore or describe an object or phenomenon.

Case study research permits us to understand a complex issue or object and can extend our experiences or reinforce previous research. This method emphasizes detailed contextual analysis of a limited number of events or conditions and their relationships.

Robert K. Yin defines the case study research method as i) an empirical inquiry that investigates a contemporary phenomenon within its real-life context, ii) when the boundaries between phenomenon and context are not clearly evident, iii) in which multiple sources of evidence are used (Yin, 1984).

Case studies are often criticized for lack of statistical reliability and validity. It is also argued that the risk of using only a few case studies is the loss of external validity.

To overcome such a dilemma it is increasingly important to select a representative case and validate the result over the course of time and with a constant basis; that is, not exclusively at the end of the study.

The interviews were *semi-structured* to be kept within the main question area, but left open to welcome the interviewees’ own ideas and feelings involving management. The interviews also included specific questions aimed at verifying the genuine quality of the answers.

3.2 – The sample

The firms included in the sample are *three medium-size Italian firms in the quick-service sector*.

The following sections are a selection of data about the firms under scrutiny:

- the average turnover of the firm P.O. in the last 5 years (2004 - 2008) is about 5 million euros, the average EBITDA (2004 - 2008) amounted to

- 316,000 euros, and the average number of employees is equal to 50 units;
- in the firm R.P. the average turnover in the last 4 years (2005 - 2008) is about 1 million, the average EBITDA (2005 - 2008) amounted to 80,000 euros, and the average number of employees is equal to 15 units;
 - the average turnover of the firm F.B. in the last 4 years (2005 - 2008) is about 1 million, the average EBITDA (2005 - 2008) amounted to 175,000 euros, and the average number of employees is equal to 15 units.

These firms generally operate through *different companies*, specifically created according to the type of activity or market served, which manage a plurality of restaurants with different geographical distributions. These companies differ in terms of product / service offered to the customer and in terms of variety of food. They focus on a particular product such as pasta, pizza or a particular catering "formula.

Their *key features* can be summarized in three main aspects:

- quality, referring to the raw materials used for the product;
- variety of the offer on the menu;
- price (considering the quality, the average price is mid-range).

In addition to the three main features highlighted above, the firms tend to offer various *complementary services* aimed at increasing the degree of customer satisfaction, such as the reduction of waiting times, courtesy of staff, cleanliness, a wide range of payment methods, and convenient opening times.

The restaurants *are not managed directly*. Generally the firms define a restaurant keeper with whom they stipulate a franchising contract.

The firms provide the restaurant premises, completely restructured and furnished according to specific criteria.

The restaurant-keeper pays a monthly fee to the firm.

The restaurants managed by third parties are subject to specific rules that impose constraints on the management, such as the choice of raw materials (a particular brand or quality), the services on offer, the procedures for selection and training of the personnel, the furniture and interior layout of the restaurant, which must comply with specific hospitality criteria, atmosphere and comfort.

Aiming at expanding their business, these firms are on the constant lookout for new restaurants, especially if situated in a strategic position, for example in the commercial or business quarters of the city, or in areas with high population density or with a specific appeal for tourists.

Once the appropriate restaurant is identified, the company proceeds with restructuring the premises and

furnishing them. What follows is the search for the future restaurant keeper.

4 – Strategy Map

4.1 – *The core*

Although many companies are not capable of implementing their business strategy, the *effective implementation* of this is crucial for the success of a business. One of the most plausible reasons for the failure of strategy implementation is the fact that the leaders, who should construct and lead the "course" of the organization, are unable to communicate their "vision". The consequences are that the employees are unable to contribute to the strategy implementation or simply do not devote the necessary attention to the new business model that derives from it.

The Strategy Map is a *way to describe and communicate a strategy*. Although it consequently evolves into a system of indicators, the key concept of the map is that "a picture is better than a thousand words." The Strategy Map allows the company to "narrate its strategy" in a clear, simple and immediate way (Armitage, Scholey 2007). The indicator system acts as a control framework: the indicators must be specific and reflect the critical success factors highlighted in the map.

4.2 – *Key factors*

The *key factors* are the variables that affect the competitive advantage, which is the basis of business success. Their identification is critical as they constitute the starting point for a correct implementation of the strategy.

In the case of the firms under scrutiny, the *critical success factors* relate to:

- the customer "consumer", a factor which must be continuously monitored in order to understand its needs and any possible changes in the way of tastes and habits;
- the customer "restaurant keeper", a factor which must be kept "under control" to assess how he or she manages the restaurant and to identify any problems in the management;
- the quality control of both the restaurant and the service;
- the employee satisfaction and the development of information systems

Consequently, these factors must be linked to the processes in the firms in order to highlight the management areas that mainly contribute to the creation of competitive advantages.

In the transition from one phase to another of the product combination, it is necessary to create competitive value. The points of interdependence may be critical areas for the success of the business.

Following these arguments, it is necessary to identify certain *business processes* that create value for the company. The most relevant in the cases under scrutiny are:

- "Development and Management Network": the search for restaurants and operators (aiming at finding those with the right frame of mind to manage a restaurant) is conducted by using such a network. The latter is also used to monitor the market as well as consumer satisfaction;
- "Quality Control": this verifies the compliance of the qualitative standard of the product / service and the supplies of the restaurant;
- "Setting up a restaurant": this process refers to the setting up of the premises within a given time period;
- "New formulas of catering": this process refers to the study and the creation of new catering formulas.

Taking into consideration these key factors and the processes necessary to create value, it is necessary to study a model of strategic management able to consider all these elements: this need could be met by the Strategy Map.

4.3 – *The Strategy map model of the firms analysed*

Such an instrument serves to draw the *logical path* to achieve the basic goals of management (Kaplan and Norton 2004, Brusa 2007), in order to make the "direction" that the firm intends to follow clear and visible by highlighting the objectives and activities that are necessary to create value for the shareholders and, more generally, for the corporate stakeholders.

The *construction of the Strategy Map* is the preparatory phase for designing the system of indicators which will measure the key factors. It is therefore more important to focus on the performance determinants rather than on the measures, remembering that if you cannot measure the strategy it is very hard to manage it. As a consequence the company will meet serious obstacles in achieving its goals.

Thus the management is able to describe and communicate its strategy to those in charge of implementing it.

The Strategy Map clarifies the strategic direction which the organization has taken, the goals that need to be achieved, the quantitative targets and the *cause-effect relationship* between the various resources, to the benefit of the employee who is responsible for the operating areas. These relations clarify two aspects:

- they highlight the causal links amongst key factors, within the same perspective and amongst different perspectives;
- they highlight how the achievement of a goal, for example, in terms of excellence of some

critical business processes, leads to customer satisfaction.

In drawing the Strategy Map and in the case of the architecture of the BSC, Kaplan and Norton identify four perspectives:

- Financial Perspective;
- Customer Perspective;
- Internal Business Process Perspective;
- Learning and Growth Perspective.

"In the case of most profit-driven companies these four perspectives clearly represent the strategy. This, however, is not a bound prescription. Indeed, the Balanced Scorecard should be a "*dress made to measure*" the specific organization which adopts it in order to strategically manage their performance." (S. Baraldi, F. Bocci, A. Bubbio 2005).

For the firms in the sample it was necessary to adapt the classical use of the Strategy Map, as desired by Kaplan and Norton, who affirmed that it "is not a template that can be applied to businesses in general".

To better represent their strategy it was necessary to add a perspective underlining the capability of this tool to meet the needs of various organizations, as emphasized in the theoretical background discussed earlier in the paper.

Figure 1 shows the Strategy Map, which refers to the business model of the firms under scrutiny.

It highlights *five perspectives*: the economic-financial perspective, the perspective of the customer "consumer", the perspective of the customer "restaurant keeper", the perspective of internal processes, and the perspective of human and organizational resources. In the cases under study the customer "restaurant keeper" of the restaurants, being a determinant factor for the success of a business, is a crucial perspective. Indeed, the weight of this stakeholder impacts significantly on corporate profitability.

Each firm has its own specific Strategy Map.

This paper presents a general Strategy Map in which only the key factors are considered, in particular those relevant to the cases under study. Before continuing, it is relevant to highlight that *each firm has its own specific Strategy Map*, although in this paper a general Strategy Map is presented which considers only the more relevant key factors, in particular those common to the analyzed firms.

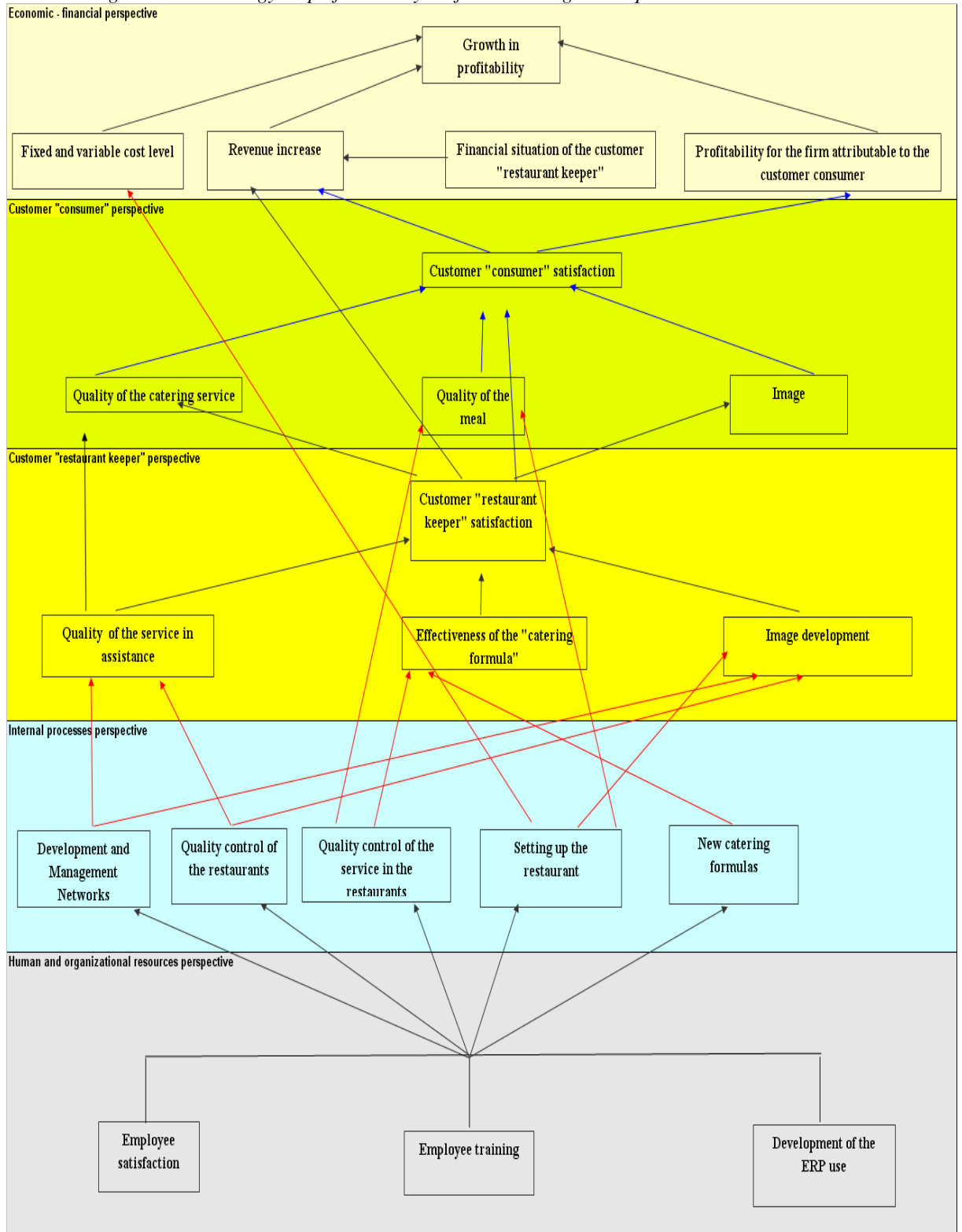
The *Economic-financial perspective* shows how the profitability of the firms being studied is achieved primarily through a *strategy of growth*, therefore of turnover increase, and secondly through the containment of costs. The increase of turnover advances according to the monitoring of the restaurant keeper's financial situation. In the case of a restaurant which is directly managed, the collection of credits does not present particular problems, because the customer makes an immediate payment.

In the case of a restaurant managed by a third party, however, monitoring the financial position of

the operator becomes crucial, because of the monthly fee.
 Furthermore, monitoring the profitability of the

customer “consumer” for the firm is essential. If profitability is not satisfactory it could cause the loss of the customer “restaurant keeper”.

Figure 1. The strategy map of the analyzed firms working in the quick-service sector



Source: own elaboration

In the *Customer “consumer” perspective* the determinant aspects are the *satisfaction, the retention and the acquisition of new customers*, to be achieved also through the promotion of the company image.

For the customer “consumer” the following aspects are relevant:

- the catering service;
- the quality of the food, which contributes to forming the company image.

These two elements are the determinants for the success and the affirmation of the firms.

The *customer “restaurant keeper” perspective* follows, in terms of importance. As mentioned above, the ‘restaurant keeper’ is considered a determinant stakeholder, and represents about 70% of the firm’s turnover. Consequently its *satisfaction in terms of effectiveness of the catering formula and in terms of assistance in the management of the restaurants* (also in terms of respecting the timing of the supplies) is essential. In order to retain and acquire customers the growth as well of the corporate image, both in Italy and abroad, is the next step. The brand must grow in terms of attractiveness and recognition.

Regarding both the perspective of the customer “consumer” and that of the customer “restaurant keeper”, the contribution that these bring to the business, in terms of profitability, is of paramount interest.

The *perspective of internal processes* illustrates how the firms must excel in offering both the customer “consumer” and the customer “restaurant keeper” an added value with regard to competitors, in order to achieve and maintain a competitive advantage in the sector. The *critical processes* are identified as follows:

- Development and management network;
- Quality control of the restaurant;
- Quality control of the service in the restaurant;
- Setting up the restaurant;
- New catering formula.

Finally, the *human and organizational resources perspective* identifies the human, organizational and information capital that is necessary for the proper conduct of the business. The *importance of continuous employee training* is underlined. The employee must be constantly updated about both the new techniques for restaurant restructuring and the preparation and preservation of food. The management must be supported, both in its technical and administration activities, by a quality information system which enables the different areas to exchange information and process data.

The Strategy Map shown in Figure 1 also identifies the cause-effect relationship between the different drivers. What follows is an example of a *possible series* of cause-effect relations:

- the increase in profitability depends on the ability to increase sales;

- the increase in sales depends on the company’s ability to satisfy the customer “consumer” and the customer “restaurant keeper”;
- the customer “consumer” is satisfied if the quality of the meal is high;
- The customer “restaurant keeper” is satisfied if the catering formula is effective;
- The high quality of the meal and the effectiveness of the formula depend on the “Quality control of the service in the restaurant” and “New catering formula” processes.

Another possible series could be the following:

- the increase in profitability depends on the control and containment of fixed and variable costs;
- the control and containment of costs is applied in the restaurant restructuring phase;
- in the process of setting up the restaurant premises, cost containment is possible thanks to the learning of new techniques (therefore through training) by the employee.

4 – The Balanced Scorecard model

Kaplan and Norton argue that it is not possible to manage what we cannot measure, and it is not possible to measure what we cannot describe. In the cases studied, after describing the strategy and identifying those factors that are critical to the success of a business, it is necessary to identify *the system of indicators* which reflects the Strategy Map above. Thus it is possible to:

- verify if the key factors identified are correct for the implementation of the strategy;
- manage the strategy by acting on the correct levers, and make the necessary changes accordingly;
- measure the strategy described.

As mentioned above, the architecture of the BSC is usually divided into four perspectives, and it acts as a control framework for the crucial indicators.

The indicators identified must be specific and reflect the key factors.

An effective BSC represents the strategy of a firm by highlighting the features of both the firm and the sector.

This means that the BSC identifies and develops specific indicators for each perspective relating to the firms considered. In some cases it also designs other perspectives which it is convenient to monitor.

Adding a new perspective made it possible to take into consideration an area that requires balancing, thereby customizing the BSC to the needs of the different markets, strategies and environment of each organization, as emphasized in the framework background.

In the figure below the Balanced Scorecard is developed for the firms considered in this study.

Each firm has its own specific Balanced Scorecard; this paper, however, presents a Balanced Scorecard model with the indicators relative to the more relevant key factors. Each firm will have to adapt the

BSC to its own specific situation, identifying the correct weight for each indicator and the key action necessary for the specific goals.

Table 1. Economic-financial perspective goal: the increase in profitability

Key factor	KPI
Turnover increase	% (turnover year n +1- turnover year n) / turnover year n; % (turnover year n +1 customer X - turnover year n customer X) / turnover year n customer X; Number new customers acquired; Number lost customers
Fixed and variable cost level	% variable costs/ turnover; % fixed costs/ turnover
Financial situation of the customer "restaurant-keeper"	% from the report of the customer "restaurant-keeper" (current ratio)
Profitability increase for the firm attributable to the customer "consumer"	Growth of the ROS

Source: own elaboration

Table 2. Customer "consumer" perspective goal: customer satisfaction

Key factor	KPI
Quality of the catering service	Ad hoc survey (number of complaints, average waiting time)
Quality of the meal	Ad hoc survey (number of complaints,...)
Image	% advertising expenditure / turnover; ad hoc survey

Source: own elaboration

Table 3. Customer "restaurant-keeper" perspective goal: customer satisfaction

Key factor	KPI
Quality of the service in the restaurant keeper assistance	Ad hoc survey (number of days of delay for the delivery of the supply requested; number of days between the request for intervention and the intervention itself....)
Effectiveness of the "catering formula"	Ad hoc survey (% number of orders of the formula A / Total number of meals consumed, ...)
Image development	Number of events organized; Advertising costs

Source: own elaboration

Table 4. Internal processes perspective goal: excellence in key processes.

Key factor	KPI
Development and management network	number of restaurants in strategic areas acquired/ number of restaurants in strategic areas identified; number of operators who failed / number of total operators
Quality control of the restaurant	number of controls carried out / number of programmed controls.
Quality control of the service in the restaurant	number of controls carried out / number of programmed controls
Setting up restaurant	number of days of delay from the consignment date.
New catering formula	number of realized catering formulas / number of proposed catering formulas

Source: own elaboration

Economic and financial perspective - Table 1 shows the indicators for measuring the achievement of the business goals for each critical success factor (key factor). For the analysed firms the main goal is the increase in profitability through the increase in turnover.

Customer "consumer" perspective - The indicators in Table 2 show the degree of customer "consumer" satisfaction.

Customer "restaurant keeper" perspective - The indicators in Table 3 show the degree of satisfaction of the customer restaurant keeper.

Internal processes perspective - In order to meet the needs of the consumer and restaurant keeper customer, the indicators for monitoring excellence in the critical processes of the company have been identified in Table 4.

Human and organizational resources perspective - Human resources and information systems are fundamental for the achievement of the business goals. The company must therefore invest in the training and the qualification of personnel, as well as in the development of new systems and procedures.

The indicators pointed out in Table 5 monitor the results from investment in training and information systems.

Once the Key Factors and the Key Performance Indicators are identified it is necessary to establish a *target* for each indicator in order to detect the effective level of achievement of the goals. Usually a range is assigned to the target, within which the latter can fluctuate. The managers must be aware of the minimum level, which permits assessment of whether or not the goal has been achieved.

Naturally each indicator will be associated with a *weight*, which should reflect the business strategy.

For example, in the cases studied, the primary goal is the growth of the firm, and therefore the indicators linked to the "turnover increase" will have a weight of above 70% compared to the indicators referring to the "increase in profitability for the firm attributable to the customer consumer", which will have a weight equal or above 8%.

Thus the management is made aware of the fact that the priority is linked to the "increase in turnover". If the latter is achieved, the strategy implementation is accomplished.

For each factor the Strategy Map must identify those *actions* that need to be undertaken to achieve the goals. The strategy necessary to reach the goals cannot be left to the free will of management. In case of the firms under examination possible actions related to the turnover increase are the opening of restaurants in new locations or the increase of restaurants in a strategic area of a city where the firm is already present.

Moreover, in the case of the examined firms the need to use the BSC was confirmed by the *reporting process*, thus allowing the management to reflect on the results obtained.

In the article "Balanced Scorecard: an agenda for the future", Baraldi S., Bocci F., Bubbio A. state that the BSC is a tool for management and not only for the simple measurement of performance. Considering this assertion, the BSC could be used as a *guide in the process of reporting*, thus emphasizing the level of the achievement of goals, the correctness of actions undertaken to reach them, and the causes of success or failure.

The purpose is to understand whether it is necessary to revise the strategies undertaken.

In the case of the firms under scrutiny, where development and growth are achieved mainly through new restaurant openings in strategic points, implementing the final control of Key Actions with the BSC makes it easier to identify whether or not the progress is in line with the business goals.

It is also possible to identify the process through which the level of specific aims is reached before the completion of a Key Action; or how the Key Action identified to achieve the goals may prove inadequate. Consequently the management is able to reflect on the possible revision and correction of the strategy. What follows is a graphical representation of the possible use of the BSC as a guide in the reporting process.

Table 5. *Human and organizational resources goal: motivation of personnel*

Key factor	KPI
Employee satisfaction	Turnover ratio Absenteeism ratio ad hoc survey
Employee training	n. of training courses organised n. of participants / N. of employees n. of days attending/ N. of total days of course (for each employee)
Development of the Erp use	N. of implemented new procedures / n. of new procedures to implement

Source: own elaboration

Table 6. *The BSC: a possible tool and guide in the reporting process; an example*

BSC: STRATEGIC MANAGEMENT TOOL					BSC: A GUIDE IN THE REPORTING PROCESS			
Key factor (A)	KPI (B)	Target (C)	Weight Assigned (D)	Key action (E)	Target reached (F)	% Key action completion (G)	Δ (C - F)	Corrective action
Turnover increase	% (turnover year n +1 - turnover year n) / turnover year n;	20%	70%	n. xx new openings	15%	n. yy new openings realised	5%	Change by the restructuring firm for the delivery delay
.....								
.....								
.....								
.....								

Source: own elaboration

Thus it is possible to highlight the goals reached, the correctness and the completion of the key actions, and, more importantly, the causes of the success or the failure of the strategy.

By also including the reporting phase, it is possible to make strategy a continual process closing the strategy loop, as shown in an article by Kaplan and Norton (2001). In fact, only when the feedback system provides the reporting on actual results can an organization test and revise its strategy.

5 – Conclusions and limits

The analysis leads to the confirmation that the BSC is a *flexible tool*, capable of adapting to the needs of different firms and of guiding them to the implementation of their strategy and achievement of specific goals, even if this research presents some limits. In particular, the limitations are tied to the analysis of only three firms and the method chosen: an analysis conducted using qualitative data which sometimes is subjected to interpretation and may be affected by subjectivity.

In the cases studied, the fundamental goals are linked to the achievement of a rational and constant growth.

The conditions for such growth are the satisfaction and training of the personnel. In a growth process a key factor is the continuous development of effective catering formulas, assisted by the development of integrated information systems.

All the processes necessary to achieve the goal of business growth were identified.

The process of development and management networks, thanks to which certain elements can be established, such as the strategic location of the restau-

rants in order to attract new customer restaurant keepers, seems of particular importance.

The promotion of the company image attracts new investments. The process identified as "Setting up the restaurant" is equally essential, since the restructuring of the restaurant and an effective proposal for catering allow new customer consumers and restaurant keepers to be attracted.

The satisfaction of the customer consumers and restaurant keepers, coupled with the containment of costs and the control of the financial situation of the restaurant operator, determines an increase in profitability.

The *flexibility* of the BSC allows us to consider the key factors associated with the customer "restaurant keeper" and the relevant stakeholders. These elements lead to an implementation of the strategy.

The efficacy of the BSC as a *guiding tool in the reporting process* was also confirmed.

The BSC allows us to highlight the goals reached, the correctness and the completion of key actions undertaken, and the causes of the success or the failure of the strategy.

The organization oriented to the strategy has to translate the strategy into operational terms, aligning the organizational structure to strategy, so that the latter becomes a continuous process that engages the business operators in their daily activities.

In fact it is important to remember that an effective implementation of the Balanced Scorecard may require a revision of the organizational structure (Arezzini, Di Manna, Spasari in Busco, Riccaboni, Saviotti 2008), but it is also relevant to underline that the reporting contributes to making strategy a continual process that tests the hypotheses of the organizational strategy. The balanced scorecard still continues to evolve and mature, illustrating the concept's flexi-

bility. This should encourage all accountants to consider how to utilize the effective insights gained on the journey so far (Bible L., Kerr S., Zanini M., 2006).

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