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Abstract

The origin of the Balanced Scorecard (BSC) dates back to 1990, year when Robert Kaplan and David Norton began a study evaluating the performance of twelve companies using a new methodology. The use of a new approach to evaluate the firms performance was motivated by the fact that traditional methodologies based almost exclusively on financial indicators are not adequate when firms have to compete in a environment subject to rapid changes. The BSC presented for the first time by the authors in 1992, considers not only financial indicators, but also operational indicators related with the level of satisfaction of consumers, internal processes and research and development, factors considered fundamental for the competitiveness of firms.

Because BSC has been increasingly used in other countries, it matters to determine to what degree Portuguese firms have adopted this new methodology and the reasons why they use BSC. Therefore, we have promoted a survey of the 200 largest firms in Portugal with the goal to determine if they have adopted BSC and if they see this methodology either as a method to evaluate performance or as a system of strategic management. We also analyse if the introduction of BSC in Portuguese firms is associated with changes in management control methods.

Introduction

In the end of the last century, especially in the last two decades, the emergency of the information era altered completely the competitive environment of companies. In the industrial era, the success of companies relied basically on advantages resulting from scale economies and competencies. Firms developed financial control systems, whose main purpose was to help in the decision process and to improve efficiency. The basis for firm success was the detention of tangible assets,

which accompanied the fast technological development, as well as a good management of its financial debts and assets.

In the present era, this is not enough to sustain the competitive advantages of firms. The possibility to explore certain intangible resources became a more decisive factor for success than the investment and the good management of tangible assets.

Since critical factors of success have been altered, the idea that traditional indicators centered in financial approaches are not appropriate to the present competitive environment began to get consistency. The performance evaluation of firms based exclusively in that type of indicators, of historical nature, is insufficient to sustain its success and its competitive advantages. Therefore, it became necessary to introduce in the performance evaluation systems other indicators of non-financial nature, that translate all the present critical factors of success of the companies.

It is in this environment and to answer to those needs that the Balanced Scorecard (BSC) appears. Kaplan and Norton (1992) proposed a set of financial and non-financial indicators, which provide managers with a fast and complete vision of the company.

In this empirical study, the use of the Balanced Scorecard (BSC) in Portugal is surveyed. The first research task is to find out the extent of BSC applications in Portugal. The second research task is to find out how Portuguese companies apply the concept, particularly if they see this methodology either as a method to evaluate performance or as a system of strategic management. We also analyse if the introduction of BSC in Portuguese companies is associated with changes in management control methods.

The paper is structured as follows: the next section describes this new strategic management tool and presents some empirical studies on its use in other countries. Thereafter, the sample selection and research design is outlined, followed by the results of the survey. The final section summarizes the findings and suggests future research issues.

1. Balanced Scorecard: Literature Review

1.1. Balanced Scorecard and Strategic Management Accounting

In a world of rapid changes, traditional management accounting started showing signs to be unable to answer to managers' new demands. It was necessary to enlarge the focus of the discipline in order to provide important and opportune information for strategic decisions. Answering to this need, in an accounting symposium held in January 81, in Oxford, Kenneth Simmonds introduced a new concept: Strategic Management Accounting.

The strategic management process requires a good perception of the company long-term objectives as well as of the environment where it operates. For that purpose, it is very important to conduct an exhaustive analysis of its resources and internal operations (presents and potentials), as well as of its environment, such as competitors, sellers, customers, economy, and government regulations.

“This need to include, and indeed concentrate on, these many factors which are external to the organisation is a major element which separates strategic management accounting from the other, more traditional, areas of accounting. These have all tended to focus almost exclusively on the internal operations of the organisation and only incorporate its specific transactions with the outside world.” [K. Ward (1992), p. 3].

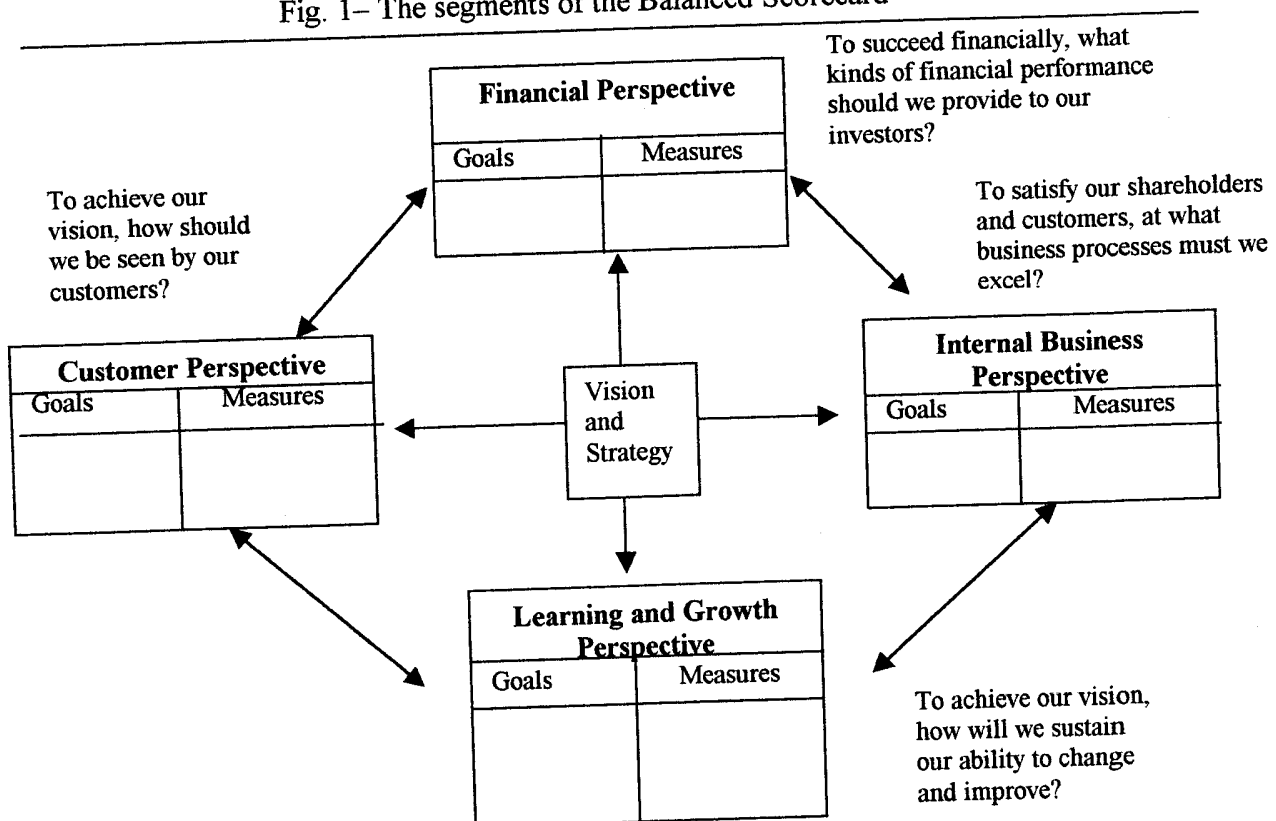
Thus, today increasing attention is paid to a set of non-financial indicators related with quality, market share, employees and customers' satisfaction, development of new products, and velocity of adaptation to customers' needs.

Balanced Scorecard seems to be able to answer to these needs. Proposed by Kaplan and Norton as a specific structure to facilitate the translation of strategy into action, the idea is not completely new. French companies are known to have used a fairly similar system called "Tableau de Bord" for five decades. "However, the Kaplan and Norton's Balanced Scorecard goes beyond what many French and American companies were doing" [M. Epstein and J. Manzoni (1997), p. 28]. According to C. Chow et al. (1997), BSC is, essentially, a set of financial and non-financial measures related with the company's critical factors of success. What is innovative in this concept is the fact that the components of BSC are designed in an integrative fashion, and the fact that measures should now reinforce each other in indicating both the current and future prospects of the company. "More than others, Kaplan and Norton probably deserve much of the credit for elucidating and increasing the awareness of this concept." [C. Chow et al. (1997), p. 21]. Butler et al. (1997) consider that the novelty of BSC resides in its strategic emphasis.

1.2. Kaplan and Norton's Balanced Scorecard

BSC should translate the mission and the strategy of an organization into key performance indicators as transcribed in Fig. 1. Financial performance, customer relations, internal business process, and the organization's learning and innovation activities should be analyzed through four different perspectives: customer, internal, learning and growth perspectives.

Fig. 1- The segments of the Balanced Scorecard



Source: Adapted from Kaplan and Norton (1996a), p. 76 and Chow et al. (1997), p. 22.

According to Kaplan and Norton (1996, p.viii), Balanced Scorecard reflects “the balance provided between short- and long-term objectives, between financial and non-financial measures, between lagging and leading indicators, and between external and internal performance perspectives”.

Epstein and Manzoni (1997) explain the four perspectives in this way:

“The financial perspective focuses on the shareholders’ interests: Is the company generating satisfactory return on investment and creating shareholder value? The three other perspectives can be explained through the following reasoning: How does a company succeed financially? Through a combination of two elements. One is creating value for customers; we thus need to know how customers perceive our performance. But a firm [...] also needs to make sure it performs well on key internal dimensions. [...] Creating value for customers translates into shareholder value only if it is based on effective and efficient key internal processes.

The next step is to make this value creation sustainable over time. The company may create value for customers and make excellent use of its resource today, but the world does not stand still, and performance requirements keep ratcheting up over time. To make sure the company will be appreciated by tomorrow’s customers and will keep making excellent learning use of its resources, the organization and its employees must keep learning and developing.” [Epstein, and Manzoni (1997), p. 31].

The financial perspective highlights the way shareholders see the company. But, as P. Clarke (2000) observes, the financial results cannot be managed directly, in the sense that they are a consequence of the performance in other areas. Financial measures are lagging indicators of performance. So, BSC complements financial indicators with other three perspectives. It is the performance in those three areas that determine the long-term future financial performance. These indicators may be seen as leading indicators of performance.

Considering the above-referred perspectives, the company has to answer to four basic questions (Table 1).

Table 1–Balanced Scorecard basic questions

PERSPECTIVE	Question
Customer	How do customers see us?
Internal	How can we be distinguished?
Learning and growth	Can we continue to improve us and to create value?
Financial	How can we take care of shareholder’s interests?

Source: Adapted from Kaplan & Norton (1992), p.72.

The objective of BSC is to operate the strategy. *“The key to setting up the scorecard is therefore to understand the factors critical to the success of the strategy.”* [M.Gering and K. Rosmarin, (2000), p. 32]. So, only the indicators that are strategic must be included in the BSC. This methodology should minimize the overload of information, limiting the number of indicators to those that are crucial for the strategic management of the company.

Besides, the specific content of those four boxes, as Epstein and Manzoni (1997) refer, should be adapted to the circumstances of each company, reflecting and putting into practice its mission and its strategy. If a company follows a strategy of low costs will have key factors of success different from another whose strategy is the creation of value through very innovative products. These two companies should use

different indicators to evaluate its performance and to guide its improvement programs.

Are the four analyzed perspectives necessary and sufficient to have an efficient BSC? According to Kaplan and Norton (1997, p.7), no mathematical theorem exists demonstrating that the four perspectives are both necessary and sufficient *"the four perspectives should be considered a template, not a strait jacket."* In spite of considering that the four perspectives revealed to be adapted to a great variety of companies and sectors, the authors also admit to be necessary to introduce one or more perspectives to take account of sector characteristics and company strategy.

Epstein and Manzoni (1997) consider that companies can add one or two perspectives to the four referred before. However, we should keep in mind that it is preferable to maintain a reduced number, because *"part of the power of the Balanced Scorecard comes from its conciseness and the clarity of its presentation."* [Epstein and Manzoni (1997), p.34]. Butler *et al.* (1997) also observe that the resulting scorecard should be a function of its strategy, and that it cannot be a simple list of indicators.

As Atkinson and Epstein (2000) argue, the most significant contributions of the Kaplan and Norton's model were that the executives should use the indicators to translate, to all the people inside of the organization, the vision and the strategy in concrete directions. So, the indicators of BSC should not be a list of desires for continuous improvement; on the contrary, they prescribe a plan for the execution of the strategy. *"The balanced scorecard is a detailed representation of the organization's strategy and includes target and actual performances measures"* [Atkinson and Epstein (2000), p. 5]

It is extremely difficult to develop a BSC at headquarter level. Kaplan and Norton (1997) consider that BSC is better defined for strategic business units (SBUs). According to these authors, SBUs have its own products and customers, distribution channels and marketing, and production factors. And the most important is that they have a well-defined strategy.

BSC of strategic business units is the basis for the construction of BSC of departments. The mission and the strategy of departments have to be framed into the structure established by the mission, strategy and BSC of the business units. For that purpose, BSC of the business units is unfolded, through a cascading process, for the existent centers of responsibility inside the business unit. The managers of the departments and of the functional units develop their own BSC, which has to be consistent with the BSC of the business unit.

1.3. The use of the Balanced Scorecard in the world

Kaplan and Norton (2000) refer that a large number of companies have adopted BSC and reached notables results. These companies are small as well as big, belong to the industrial or services sector, are in a phase of maturity as well as of fast growth, belong to the public as well to the private sector, with and without lucrative goals. As their first book was translated in nineteen languages, the authors consider that the use of this management instrument is universal.

C. Chow *et al.* (1997), analysing the examples of the Bank of Montreal, Tenneco and AT&T, among others, recognise the success of BSC. *"Because of the way the Balanced Scorecard aids in successful restructuring by linking together all sub-units and members in a concerted effort to enhance the overall goals and*

objectives of the organisation, many leading-edge companies have begun to adopt this new approach" [C. Chow et al. (1997), p. 22]. They recognise, however, that until that moment the well-known applications of BSC were confined mainly to great international companies. This is due, according to these authors, to the fact that these companies usually have to face a more turbulent and competitive environment.

D. Wade (1997) refers that the ten American companies consistently more successful -AlliedSignal, Federal Express, General Electric, Hewlett-Packard, JP Morgan, Levi Strauss, Merck, Motorola, PepsiCo and Wall-Mart- used the BSC to evaluate performance. These companies always consider five categories of indicators: financial, customer's satisfaction, employees' satisfaction, productivity, growth and innovation.

In the USA, a growing number of companies are discovering the philosophy of BSC, as Walsh (2000) observes. This author says that the knowledge concerning applications of BSC increased a lot in that country, estimating that it is used by 40%-60% of large American companies. W. Schatz goes further and says "The methodology [BSC] is spreading as the Black Plague throughout the new economy." [W. Schatz (2000), p. 1].

Atkinson and Epstein (2000), quote several examples of use of BSC in Canadian companies. In AT&T Canada, it was used to change the company culture, whose financial performance was very deficient. The Ontario Hospital Association announced, in the Hospital Report 99, the implementation of a balanced scorecard with the purpose to "*further enhance public accountability, to help strengthen hospital performance, and to improve patient care*" [Atkinson and Epstein (2000), p. 15].

In Europe, we have to look at the Scandinavian experience, given the great interest that Scandinavian companies have shown in this new approach. Ax and Bjornenak (2000) refer that, accordingly to a study recently accomplished by Kald and Nilsson¹ concerning the 236 largest Danishes, Finnish, Norwegian and Swedish companies, 27% of the companies surveyed already implemented BSC. When they included the companies that intend to apply the methodology within two years, that percentage increases to about 66% of the companies. Considering that BSC was presented by Kaplan and Norton to the scientific community in 1992, and that it had a large diffusion with the book published in 1996, we can conclude that it had an extremely fast and effective popularization, particularly high if compared, for example, with the speed of dissemination of the activity based costing (ABC).

Another study, conducted by T. Malmi (2000) investigated the use of BSC in the Finnish companies. This study also confirms the growing popularity of BSC in Finland (31% of the companies have Balanced Scorecard, 30% was implementing it and 19,5% was considering to adopt it). The author finds several explanations for this result:

- i. the logic of BSC is certainly appealing in Finland;
- ii. the supply-side organisations of the BSC plays a remarkable role, consultants have had an active role in a number of companies;
- iii. a large number of seminars, articles and books have turned BSC into management fashion.

P. Walsh (2000) studies the way Australian companies are to use BSC. The research results indicate that: "*First, the scorecard is alive and well in Australia but*

¹ Kald and Nilsson (2000), "Performance Measurement at Nordic Companies", European Management Journal, 1, pp. 113-127

the benefits will take time to realize. Second, when organizations adopt the framework, they think more strategically." [P. Walsh (2000), p. 46].

2. The use of the Balanced Scorecard in Portugal

2.1. Objectives of the study

In this study we try to accomplish several objectives. A first objective is to find out to what extent BSC is used by Portuguese companies. A second research task is to find out how Portuguese companies apply the concept and if the introduction of BSC in Portuguese companies is associated with changes in management control methods. Finally, our aim is to provide some preliminary insight on why Portuguese companies adopt BSC. Because this phenomenon is relatively recent, this study is an essentially exploratory one. However, taking into account the growing diffusion of BSC in other countries, it seems to us that it is important to have a vision, although a preliminary one, on this phenomenon in Portugal.

2.2. Research method

A mail questionnaire was employed in order to collect empirical data. The questionnaire was sent in September 2000, and included two preliminary questions in order to identify the company² sector and the district where its headquarter is located, as well as twenty-four other questions organised in six themes: extent of applications; content of BSC; use of BSC; practical aspects of BSC application; attitudes towards BSC and perception of benefits resulting from its use; reasons for the adoption of BSC.

The first two questions on the use of BSC aim to analyse the extension of its application in our country, and to know the reasons of non-application, if it was the case.

The companies that already used it, were implementing it, or were considering implementing it would only answer the remaining questions, concerning the use of BSC. The capacity to answer to all those questions, by the last two groups of companies, would depend on the phase they were in the implementation of BSC. The more advanced that process was, the larger would be the possibility to answer to a larger number of subjects.

Our purpose was to send the questionnaire to the 200 biggest Portuguese companies, according to gross added value, published by Expresso in the publication "The 1000 Biggest"—Edition 1999. Because some changes occurred (mergers of companies, for example), we were forced to eliminate some observations. Therefore, the questionnaire was sent to 200 companies among the 209 largest companies.

The questionnaire was mailed to the financial manager of the company. One can argue that the questionnaire should be addressed to the management controller. However, such department does not exist in a large proportion of the companies. So, we asked the financial manager to deliver it to another person in the company, if he considered that person better prepared to answer the questionnaire.

We have received 65 questionnaires, but only 60 were usable responses. This means that the response rate was 30%. The unusable responses correspond to situations of refusal in answering to the questionnaire, alleging the high number of solicitations of this nature, and also situations in which they consider inopportune to answer, because the company was in a restructuring phase.

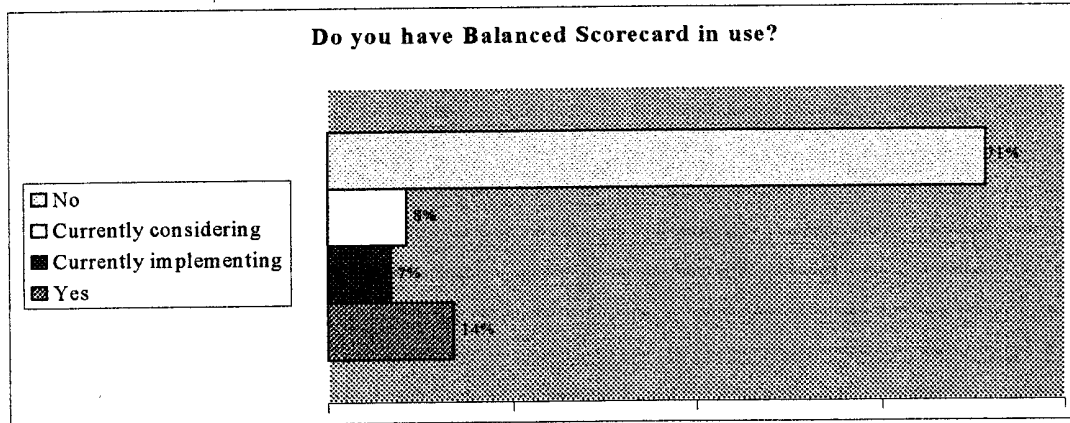
² We did not request the name of the company, because it could be considered a factor for not answer.

2.3 Results

Extent of applications

The results suggest that BSC is not very used in the Portuguese companies (Figure 2). Only 14% of the respondents indicate they use this system and 7% are implementing one, while 8% affirm to be considering implementing it. But, the great majority—71%—does not use nor has plans to use BSC.

Figure 2: The extent of balanced scorecard in use



Concerning companies that do not use BSC, the major reason for not adopting BSC is the ignorance of this system. This reason is invoked by 48% of the companies. It is interesting to refer that some of the companies manifested interest in taking knowledge of this system, requesting information and bibliography on the theme. Twenty six per cent of the respondents say, “*we did not think yet on that*”, or “*we used traditional budgeting as a means to agree on targets*”, or “*the company uses another approach to the whole group*”. An answer says, “*they began the process, but it was abandoned because the company was sold to new shareholders. In this moment the new Administration doesn't seem interested in this type of tools for management improvement*”. This is, in fact, one of the problems identified by Kaplan and Norton in their more recent book “*Some disappointments arose after major organisational changes. As one example, several companies, well along in their Balanced Scorecard implementation, were acquired or merged. The senior management team in the new organisation had no interest in the new approach and abandoned the project.*” [R. Kaplan and D. Norton, (2000, p. 357)].

Finally, two companies of the Construction sector, with a merger process in course, say “*considering the potential adaptation of BSC to the merger process and global reorganisation of the Group, [...] a proposal for the elaboration of a study [...] on the development of a Balanced Scorecard was presented to the Administration*”. However, in that moment no planning has still been made.

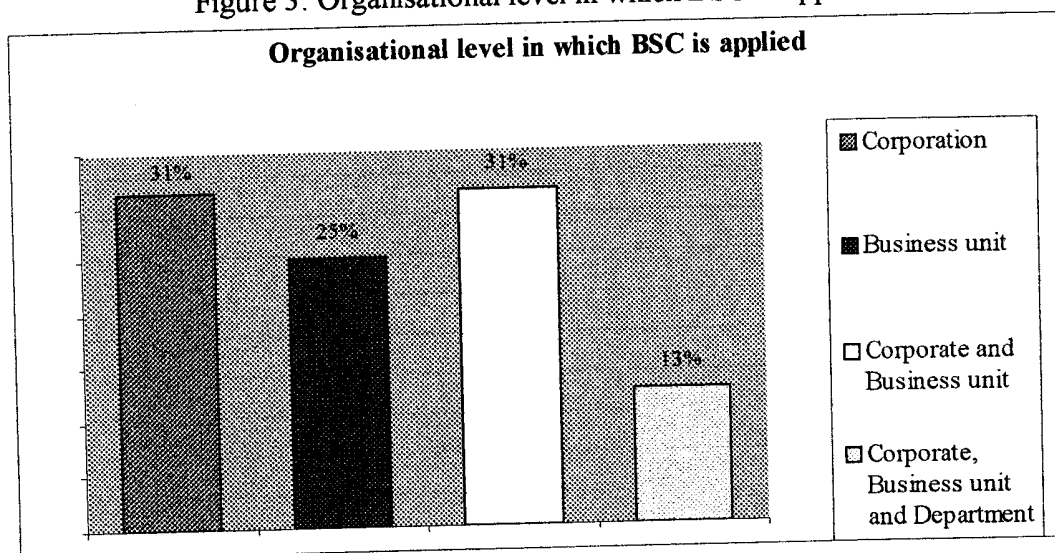
Of the remaining companies that do not use BSC, 19% refer that it is not adjusted to the culture and the mission of the company, 5% allege difficulty of definition of the strategy of the company in a so clear way as BSC requires, and 2% just justify with the difficulty on selecting the four basic perspectives of BSC in a cause-and-effect logic.

The earliest adoption of BSC dated back to 1994. All the others are very recent, 1998 and 1999. Concerning companies that are thinking to implement this

system, just one refers explicitly the date January 2001 for beginning the task. Another company refers the year 2000. From the remaining companies, two indicate the period of two years, between 2001 and 2002, while another refers that it will occur, more or less, in 2002.

Most of the companies that are using, implementing or considering to implement BSC, introduced or have plans to introduce this methodology at corporate level and, in some cases, simultaneously at corporate level and at business unit level (Figure 3). Considering that competitive strategies are crucial at business unit level, that result can be explained by the fact that BSC has been implemented recently or has not been implemented yet. The percentage of companies that began by implementing BSC at strategic business unit level is also significant (25%). Two of them just refer that the application of BSC in the company was developed, through an unfolding process in cascade and one company says that, in the future, it will also be done for the departments.

Figure 3: Organisational level in which BSC is applied



Content of Balanced Scorecard

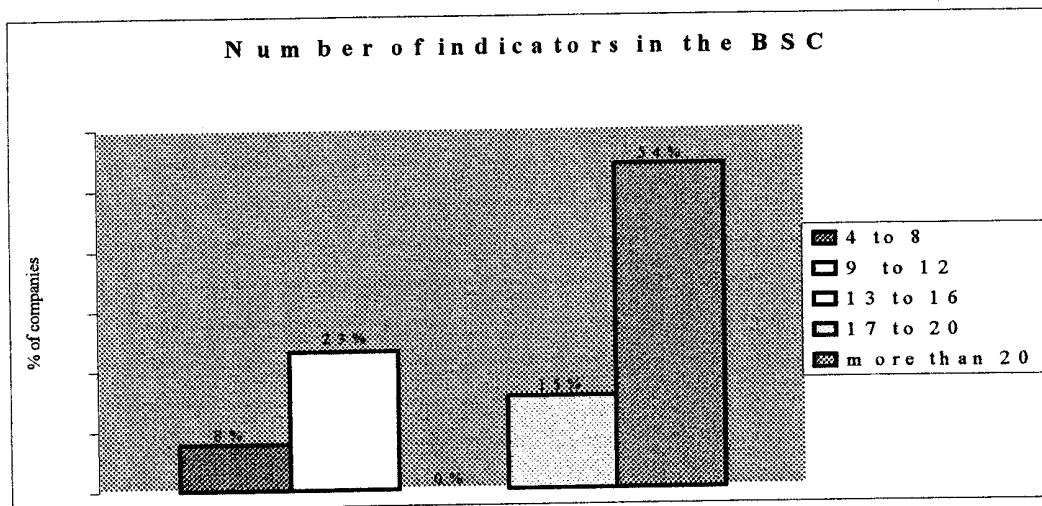
Half of the companies that are using, implementing or considering to implement BSC, have or are planning to have four perspectives in its scorecard, as suggested by Kaplan and Norton. However, one company points out that they, *“are still in the conception phase and it is possible that the KPI's [Key Performance Indicators] can be linked in another way.”* Four companies use or are considering using only three perspectives: financial, customers and internal business. One company has adopted a fifth perspective: “consumer’s satisfaction”. Two companies have or are considering having six perspectives in its BSC. One company, using this system since June 1999, adopted the perspectives proposed by Kaplan & Norton and “market” and “organisation and processes” perspectives; the other, that plan to implement BSC in 2001, besides the financial, internal, innovation and learning perspectives, were considering to include the “production”, “economic” and “human resources” perspectives.

According to our results, companies use fundamentally the perspectives proposed by Kaplan and Norton (the four or just the three first perspectives,

excluding, in this case, innovation and learning). Relatively to the companies that use more than the four basic perspectives, it seems to us that some of the additional perspectives could be included in the former. For example, “consumer's satisfaction” and “market” perspectives can be included in customer perspective. “Organisation and processes” perspective, perhaps, could be included in the internal business perspective.

The number of indicators in BSC varies between a minimum of 4 and more than 20. Most of the companies (54%) use more than 20 indicators, while only 8% of respondents just uses between 4 and 8 indicators.

Figure 4: Number of indicators in the BSC



Despite the fact that companies using four or more perspectives in its BSC tend to have a larger number of indicators, the correlation between number of indicators and number of perspectives is not high. For example, two of the companies considering three perspectives in its BSC use between 17 and 20 indicators. One company considering six perspectives is planning to use between 9 and 12 indicators.

We also asked companies to identify and to order, by relative importance, indicators used in each perspective. Five companies did not answer. One of them said that this is “*a subject a of the internal forum of the company.*” In a certain way this position is reasonable, because the question deals with important aspects for the competitiveness of the company.

Concerning the financial perspective, the type of indicators that are mentioned as being the most important, are very common. It seems that the adoption of BSC does not bring new indicators to the strategic management of the companies. The selected indicators are income growth, sales growth, operational income, cash flow, working capital, assets rotation and debt level. Only one company uses as main indicators of this perspective the Economic Value Added (EVA). It seems that the adoption of BSC has just forced companies to select the most important measures among those they already use.

In relation to the customer's perspective, the indicators mentioned as being the most important, reveal that the main concerns are with the customers' retention- (fidelity degree indicator) and with the degree of customers' satisfaction (quality level, execution of delivery periods and adaptation of the product to the customer's specific needs).

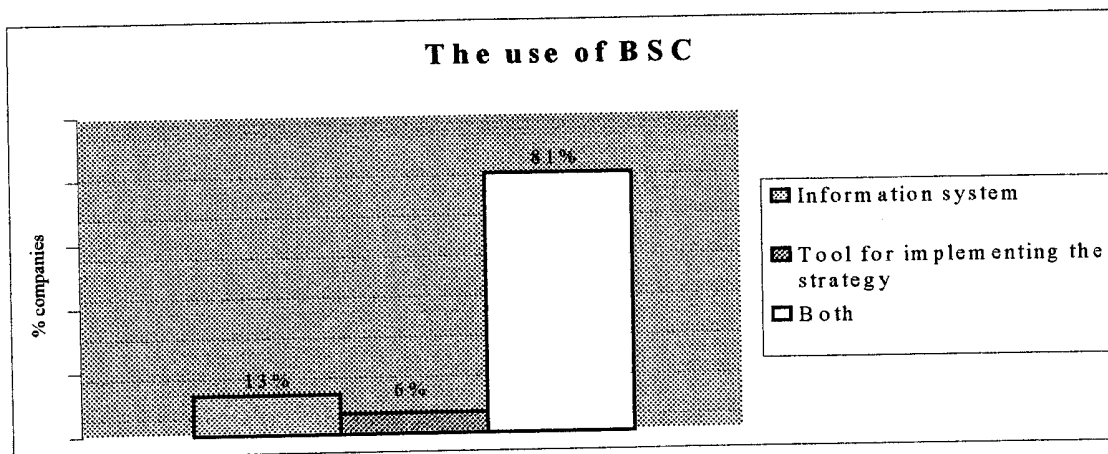
The main indicators of the internal perspective can be interpreted as being quality, productivity and costs, since the indicators referred were “general expenses”, “non quality costs”, “yields”, “quality levels”, “control objectives for profit centres”, “reduction of control costs” “productivity”, “number of products per order”, and “restructuring projects”. The company with a longer tradition of BSC use, despite not referring the learning perspective, identify indicators related with the employees' satisfaction such as “growth in the career”; “respect for individuals” and “professional progression”. This finding is not strange. This company uses BSC for a relatively long period and, as we know, Kaplan and Norton in their initial proposals included the employees' capacities in the internal perspective. Perhaps, there was not an adaptation of BSC to the new developments introduced by those authors.

From the twelve companies that include the innovation perspective and learning in its BSC, only eight identify the indicators used. They refer as main indicators of innovation “development of new products”, “development of new channels”, “recent innovations in the portfolio of the company”, “number of key innovation”, “sales of new products”; as indicators of learning, they refer “medium formation for employee” and “absenteeism”, “resources management and time of materialisation of tasks.” It is not, however, very clear if these measures are guided in the sense of the strategic learning, as referred by Kaplan and Norton.

The use of Balanced Scorecards

BSCs are used basically in two different ways: as an information system and as a tool for implementing the strategy.

Figure 5: The use of BSC



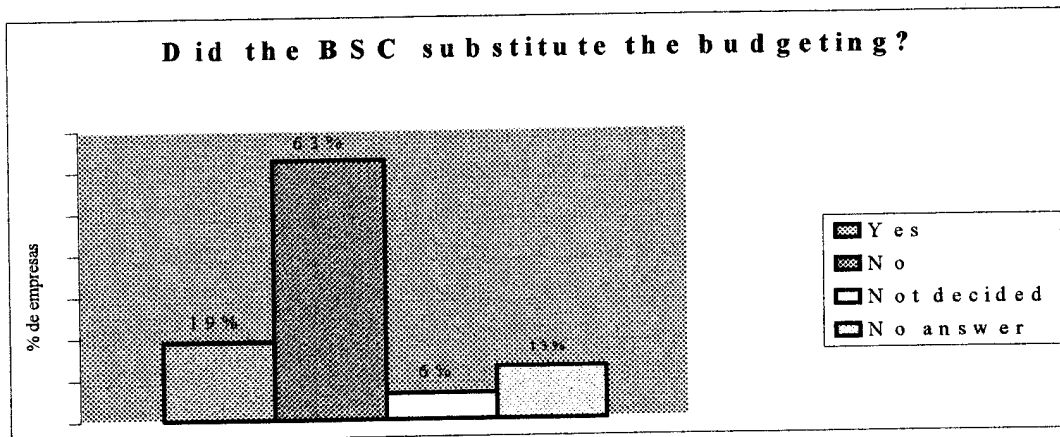
Most of the companies (81%) say they see BSC simultaneously as an information system and as a tool to implement the company strategy. A large percentage of companies (69%) answer they have established goals for the indicators as a way of creating a larger involvement and accountability in the organisation. Nineteen percent of the companies do not establish goals for the strategic indicators. For sure, those companies will have more difficulties to co-ordinate their strategic initiatives as well as the resources necessary to accomplish the objectives that they intended to reach, when defining those indicators. In our view, BSC has a little probability of being a tool to implement strategy for those companies that did not establish goals for the chosen indicators.

The majority of the companies (63%) consider that this system must be used to provide information to managers and to reconcile the objectives of the different

levels of management, while 13% consider that it must be used only to reconcile the objectives of the different levels of management. Some companies (25%) attribute it other functions, like a “*system of evaluation of performance*”, or “*to organise systematically information necessary for the prosecution of the company strategy through KPI's [Key Performance Indicators]*”.

In many companies, the budget has been used as the central piece of management control. One way to understand the use of BSC is to consider whether companies have changed their budgeting practices after introducing that system.

Figure 6: Budgeting substitution by BSC



The results of the survey indicate that 88% of the companies use budgeting as main system of management control. From those, the majority (63%) did not substitute or do not intend to substitute it by BSC. Only three companies, representing 19% of surveyed companies, affirm that substitution occurred or will occur.

Before the adoption of BSC, most of the companies (63%) used another control and management system. They quote, among others, a “*system of qualitative and quantitative objectives for the staff, linked to the budget*”, the “*Oracle Financial Analyser, producing annual, casuistic monthly reporting*”, the “*System ABP*”, the “*budget control for profit centres*”, and a system “*type Tableau of Bord*”.

A decisive aspect in the way BSC is seen is how managers are rewarded. The monetary rewards are, usually, tied to the achievement of agreed targets. If companies pay rewards based on BSC indicators, companies will have a chance to succeed with the aid of BSC. Seventy five per cent of the companies had some sort of bonus program and, of these, 17% pay rewards based only on BSC and 75% based on BSC and other criterion; only one company excludes the hypothesis of using BSC as a basis for a program of monetary rewards to managers.

Practical aspects of Balanced Scorecard application

Uniformity does not exist in what concerns the way information is collected for BSC. Sixty nine per cent of companies collect either manually or electronically information about customers, market, competition, products, quality, technology and internal processes. Only 19% use exclusively electronic means to collect this type of information. In what concerns to the information of financial nature and productivity, the difference between percentages of companies using electronic and manual forms simultaneously, and those using exclusively electronic means is smaller. In the first case we have 50% and in the second case 38% of the companies.

BSC is maintained mainly in spreadsheet programs but in 25% of the surveyed companies a special software was acquired or developed. One company, that began to implement BSC in January 2001, says that, although it initially used the first process, in the future it will start to use the second. Given the relatively recent introduction of BSC software this is quite natural. It seems to us that the tendency is to use a spreadsheet in an initial phase of the implementation of BSC, but in the medium and long run it is to use specific software.

The way results of BSC are reported varies quite a lot among companies. Fifty per cent of the companies refer that paper reports are distributed to selected managers, and 25% affirm that reports are produced in electronic form and available to those interested or allowed.

The most usual reporting frequency is monthly (25%). However, answers to this question varies a lot: of the remaining companies, 19% produces reports three or four times per year and 13% indicate an annual frequency. One company refers that initially the frequency will be annual, but perhaps this will be altered in the future. Thirteen per cent still present another periodicity: one company refers a monthly and weekly periodicity and another says that "*it depends on the indicators and it is not the same for everyone*". This is the case where adoption of BSC is used for a relatively long period, which confirms that it is possible to improve the process when using this system.

We can conclude from the analysis of the results, especially from the answers to the last three questions, that improvement of the information system, improvement of communication capacities and revision of the results can be identified as futures targets for improvement in the use of BSC.

Attitudes towards Balanced Scorecard and current benefits received

In general, companies have a positive attitude towards BSC. All the companies that already use it, regard BSC as a good management tool, considering it as bringing benefits to the company. We recognise, however, that it might be difficult to obtain critical comments from those involved or responsible for the adoption of innovations.

When asked to determine what has changed after introduction of BSC, a large percentage of companies did not answer to the question. This result was expected, since many companies implemented this system very recently or did not implement it yet. Therefore, they did not have the chance to identify those changes.

Several answers lead us to the conclusion that, in some companies, BSC has just been introduced hoping that managers can see its potential. As a matter of fact, several answers refer generically the need for a "*strategic reformulation*". Nevertheless, most of the answers are more specific, referring aspects such as "*alignment of the unit business targets with the company targets*", "*better accompaniment of the company performance in the short period*", and "*to help the responsible of each area to have the total conscience of the company.*"

Other changes were identified by respondents, such as: "*larger control of the implemented tasks*"; "*BSC implementation allowed a larger focus in the key targets, as well as, a larger alignment of priorities with the main European projects*"; "*a larger participation in the vision of the company as well in the defined strategic orientations in the medium and long term, and a detailed accompaniment of its materialisation in the short period.*" All these answers suggest that BSC is used not only as a system of evaluation of the action, but also as an instrument of strategic

management. Such view will allow a better communication of the organisation's vision and strategy and to align the targets at several levels of the organisation. The last answer emphasises the co-ordination of the long-term strategy with the actions developed in the short period, which is a fundamental aspect of BSC as an instrument of strategic management.

Reasons for Balanced Scorecard adoption

Many reasons for the adoption of BSC are identified. Based on the survey, we can say that there are fundamentally three reasons. Thirteen per cent of the companies indicate the argument that balanced scorecard translates strategy into action. Twenty five per cent of the companies answered that it is a means of evaluating if the strategy is driven to the intended results, while 19% point out as reasons for its introduction in the company the former two explanations. One company of the last group says that BSC was introduced to redefine the management control system. Another company says that BSC has changed the management control system and that it will permit to abandon the traditional budgeting. Only one company refers that BSC was being adopted as a support system of a major organisational change. Finally, one company refers two reasons for the adoption of BSC: as a means to redefine the management control system and as a tool for quality management.

Analysing the reasons that led the companies to introduce or are considering introduce this system, we can conclude that most of them speak about aspects related with the strategy, as Kaplan and Norton defend.

3. Conclusions

This study suggests that BSC is still not very diffused in Portugal. Although some inherent limitations exist to the research method used, the study seems to confirm the initial idea that, unlike what it happens in United States, Canada and Scandinavia, the popularity of this system in Portugal is still reduced. However, it is also possible to verify a growing interest in the last years, because there are many companies that are implementing or considering to implement it.

How this reduced popularity can be explained? If we consider the traditional managerial culture in Portugal, we can say that the logic of BSC is not perhaps appealing for the Portuguese companies. If we think that 19% of the companies that have not adopted BSC, invoked as reason the company culture and the mission of the company, and also some of the 26% companies that invoked other reasons, include the already mentioned reason, we think we can be led to deduce this conclusion.

But the main reason is that the companies ignore it. While in other countries, BSC has been largely disclosed through articles, books and seminars and it has been largely promoted by consultants and software companies, in Portugal this does not happen.

Another purpose of this study was to analyse how Portuguese companies apply the concept of BSC. Concerning its content, we can conclude that the four perspectives proposed by Kaplan and Norton have generalised acceptance. Despite some companies present other perspectives, that they could not be considered properly as additional perspectives. On the contrary, they can remove some of the power of BSC as a means of representing in a clear and concise way the strategy and the vision of the company.

We verified that some companies use very few indicators (just one or two per perspective), and they could have difficulties in balanced results that they intend to reach and the drivers of those results. On the other hand, others seem to use too many indicators, what can mean that they cannot identify the critical factors of success. The two situations can produce the risk of failing. As Kaplan and Norton observe “*Companies whose scorecard projects fail because of poor design are typically not designing scorecards to tell the story of their strategy.*” [R. Kaplan and D. Norton, (2000), p.360]. However, the phenomenon is relatively recent in Portugal, and usually the companies took time to discover the most appropriate and effective drivers. BSC should be involved in an active process of strategic learning and improvement.

The lack of exclusive connection between the indicators of BSC and the programs of allowances and rewards to the managers, it can affect the success of the system implementation. As Kaplan and Norton observe, all the organisations that obtained success with the application of BSC linked the programs of rewards to the employees to the scorecard.

Lastly, in most of the companies the BSC results are of restricted access, being just communicated to some managers, what impedes that the strategy becomes a daily task of all the elements of the organization. “*Companies that do not deploy the scorecard throughout their organization lose the potential for employee innovation, creativity, and learning. They fail to make strategy everyone's everyday job.*” [R. Kaplan and D. Norton, (2000, p.364)].

For all these reasons, we can conclude that in spite of the fact that most of the companies assume that they have adopted the BSC as a management strategic system, in the practice it still fails some fundamental aspects in order to work as such. But, as the phenomenon is very recent, more research is required. As we see, there are different ways of using the concept BSC and it should be studied whether one of ways proves to be more valuable than others. It was also interesting to get more evidence about the influence of multinational companies in the BSC adoption by Portuguese subsidiaries. On the other hand, in Portugal, before the adoption of the BSC most of companies used another control system. We should acquire knowledge on the relative pros and cons of those approaches. In our country, the companies continue using traditional budgeting as main system of management control and the majority do not substitute or intend substitute it by BSC. In this situation it will be interesting to know if they will be able to align all the organization with the strategy or if this will affect the success of this new strategic management tool in Portugal.

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