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ARTICLE

The use of the Balanced Scorecard in Portugal: Evolution and effects on management changes in Portuguese large companies

H.I.B. Saraiva[a,*], **M.C.G. Alves**[b]

[a] *Polytechnic Institute of Guarda, Unidade Para o Desenvolvimento do Interior, Guarda, Portugal*
[b] *Beira Interior University, Núcleo de Estudos em Ciências Empresariais Universidade da Beira Interior, Portugal*

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Abstract This paper aims to present an historical review on the evolution of Balanced Scorecard's use in Portuguese largest companies, since its appearance until the present day, and also to perform an analysis of the current situation regarding the use of this management tool in Portuguese territory. The question to be studied is — *how has the use of the BSC performed and evolved in Portugal*, in the last 20 years, and how the application of the tool contributes to changes in management. Initially it has been conducted research on studies carried out in Portugal about the application of the BSC, having been identified three major studies performed within the territory: the first starting the end of 1999, the second carried from 2004 onwards, the last study was conducted throughout 2009. To complete the information provided by these studies it was conducted another research on the current conditions of the use of the BSC as well as of relevant level of application depth, and its relations to organizational change and evolution on management practices. This was pursued by identification of both academic works on the subject and main technical books printed in Portugal on the theme. Thus we were able, as a result of the present study, to present a clear picture about the use of BSC in Portugal since its listing and disclosure until the present day.

1. Introduction

The role assumed by non-financial accounting measures in the context of new management concepts such as total quality management, world class manufacturing, customer satisfaction, ''the 'Japanization' of management'' (Vaivio, 1999, p. 410), and techniques like activity based costing systems, constituted an important aspect of management change in the last decades (Vaivio, 1999). Another innovative techniques were highlighted by Ax and Bjørnenak (2005), in the management accounting field, like activity based costing, activity based management, target costing,

* Corresponding author.
E-mail address: helenasaraiva@ipg.pt (H.I.B. Saraiva).

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strategic cost management or economic value added, and most changes in accounting are the direct or indirect consequences of the diffusion processes of these innovations.

Pursuing this trend of ideas, particularly in the two last decades of 20th century, it was verified the need to modify organizations' performance indicators in order to solve the problem of organizational performance evaluation being focused only on financial measures (Kaplan & Norton, 1992, 1993, 1996a, 1996b, 1997).

In this context, the concept of Balanced Scorecard (BSC) appeared, presented by Kaplan and Norton (1992), This notion has evolved through time as listed by Saraiva (2011), having assumed the roles of a:

- *measuring system*, consolidating a set of objectives, indicators and measures with a specific orientation, corresponding to the initial rise of the BSC;
- *communication system*: when it is used to disseminate the organization's strategic objectives;
- *overall and individual evaluation system*: each element has its defined goals, so that its activity can positively contribute to the creation of value, when the BSC begins to emerge as a tool for strategy implementation;
- *strategic management system*, used as an element to help and justify decision-making and organizational management support;
- *strategic management system that manages/evaluates its own management system* - integrating the components of intellectual capital of organizations in pursuit of strategy and initiating a path of apparent ''turning outward'';
- *system to manage strategic alliances*, playing a major role in relations with the outside of the organization, using the BSC to manage strategic alliances.

From the beginning of its appearance until the present, it has been verified that this management tool brought very important changes both in organizational strategic management and in management accounting (Busco, Quattrone, & Riccaboni, 2007, Vaivio, 1999).

In order to understand the mechanisms of change, Innes and Mitchell (1990), categorized forces of change in management accounting into three different classes: *facilitators*, *motivators* and *catalysts*. In this paper we will try to identify the forces of change that occurred in Portugal, concerning changes induced both by the expansion of the concept of Balanced Scorecard and its actual use in the territory. It seems to us that those which can be identified as *facilitators* are the works presented in part two and three of the present paper; we can also assume that the fact that some of the biggest enterprises in the territory had been using the BSC, can also be regarded as a *motivator* by other organizations. In the present work, however, *catalyst* forces where not our aim.

The paper is structured as follows: antecedents and methodology are presented in Section 1; Section 2 displays an analysis of books presented in the technical literature market in Portugal on the theme of BSC; in Section 3 is completed an extensive analysis on academic works carried out in Portugal under the theme of BSC; Section 4 present an evolution of the use of the BSC in Portugal in large companies, deepening the issues related to the implementation of the BSC and its evolution; finally in Section 5, limitations and paths for future investigation are displayed.

2. Antecedents and methodology

In the present paper we made a review on the way BSC has evolved in Portugal and has influenced changes in management, following the previous roles indicated above.

We followed the works of:

- Malmi (2001), in the sense that this study also aims to evaluate the role assumed by BSC in Finish companies, ''(...) in particular, whether BSCs are used as an improved performance measurement system or as a strategic management system'' (Malmi, 2001, p. 208);
- Ax and Bjørnenak (2005), on the idea that the diffusion processes of the innovative tools is a way to produce change; the authors also referred the dynamic evolution of the concept; finally we highlight that they consider *diffusion* as the process whereby an innovation is communicated through certain channels.

Other authors indicated as themes of change in organizations, interpretations on ''How and Why'', ''What and Who'' and ''Where and When'' (Busco et al., 2007, p. 127) change occurred. As we were searching to establish how the BSC concept evolved and what were the main consequences of its use in Portugal, in an historical perspective, this idea seemed to us like a good way to support the evolution of those *facilitators* and *motivators* forces, so we choose to follow the themes suggested by Busco et al. (2007).

In this way, throughout the present work, and in order to justify the perceived developments we analyzed both technical works and empirical studies conducted, as well as other material information based on facts associated with the growing availability of the notion verified in Portugal since the BSC appearance, *i.e*. during the last 20 years.

The themes ''*How and Why*'' *and* ''*When*'', seems to us partly answered, from the evidence displayed in Sections 2 and 3 of this paper, including information on the concept of BSC conveyed to businesses and public in general, through books published in Portuguese language by national authors. We believe that this kind of disclosure was vital to the awareness of the tool, either by the public in general or by companies of any kind. On the other hand, ''*What and Who*'' and ''*Where and When*'' will be discussed in Sections 3 and 4, mainly from the perspective of those who developed work of an academic nature on the subject, an activity that has been instrumental, in our opinion, to the identification and dissemination of the use of BSC in Portugal. At this point we have to recall ''How'' and ''When'' in order to better justify the inclusion of Section 4 of the paper. In this last section these two questions are responded, and in doing so, we expect to complete an answer to the research question.

As for the research question – *how has the use of the BSC performed and evolved in Portugal?* – by following the verified evolution – that has shown its' application as more usual in large companies (Schatz, 2000; Walsh, 2000) – so we have analyzed the evolution on these kinds of companies by pursuing the studies of Quesado (2010), Quesado and Rodrigues (2009), and Rodrigues and Sousa (2002).