

Comprehensive Performance Measurement Systems Design and Organizational Effectiveness

Lorenzo Lucianetti

Department of Management and Business Administration, University of Chieti and Pescara

Valentina Battista

Cranfield School of Management, Cranfield University

Xenophon Koufteros

Mays Business School, Texas A&M University

Abstract

Purpose – The paper aims to provide empirical evidence regarding the relationship between the level of comprehensiveness of a Performance Measurement System (PMS) and its respective organizational effectiveness. The extant literature has highlighted that a PMS may successfully contribute to the implementation of the organizational strategy, with the Balanced Scorecard (BSC) serving as an exemplar of a strategy performance management tool and playing a primary role to this end. However, the reasons for the overall high rate of failure in the implementation of the BSC remain unexplained and, to date, little empirical research exists regarding the design of PMSs such as the BSC and its constituent elements.

Design/methodology/approach – Using a survey of 103 Italian managers, the paper advances a model describing a comprehensive BSC design, after identifying the key attributes from the performance management literature. Data were analyzed using cluster analysis and multiple regression analysis.

Findings – Results suggest that organizations are implementing the BSC following two different approaches, which vary from a less comprehensive to a more comprehensive design. More importantly, the BSC design explains variation across three organizational effectiveness measures: (1) improvements in translating the organizational strategy into operational goals, (2) understanding cause-effect relationships, and (3) enhancing internal communication among employees.

Originality/value – The paper builds on and extends the previous literature on performance management in two ways. First, via a literature review, it introduces a model describing a comprehensive BSC design which includes 12 attributes. Second, it demonstrates that organizational effectiveness varies positively with the level of comprehensiveness of the BSC design.

Keywords Comprehensive performance measurement systems, balanced scorecard design, organizational effectiveness, performance management

Paper type Research paper

Introduction

Understanding the impact of Performance Measurement Systems (PMSs) on organizational effectiveness is arguably an intriguing area of research in the performance management literature (Franco-Santos *et al.*, 2012; Koufteros *et al.*, 2014; Maestrini *et al.*, 2018a). A particular concern is whether the actual PMSs that are deployed provide coverage for the domain of the specific management tools they are intended to represent. For instance, do companies that claim to use the Balanced Scorecard (BSC) actually design their PMSs to adequately represent the basic tenets of the BSC (an exemplar of PMSs) related to learning and growth, internal business processes, customers, and financial dimensions? Is there an adequate and diverse number of measures deployed? Furthermore, is the BSC design comprehensive enough to produce measurements for variables such as ease of production, delivery speed, on-time delivery performance, delivery accuracy, storage costs, internal and external quality failures and respective costs, distribution costs, material costs, labor costs, inventory turns, and obsolescence amongst others? And, are those measurements updated on a regular basis? Is the incentive structure conducive to produce desired results? Are financial vis-à-vis non-financial measures evenly weighted?

Previous research found that PMSs have a positive impact on organizational effectiveness (Upadhaya *et al.*, 2014) by aligning employee capabilities, activities, and performance with the organizational strategic goals (de Leeuw and van den Berg, 2011). Leung *et al.* (2006, p. 659) note that “the BSC has been viewed as a vehicle to articulate the strategies of a company, to communicate these strategies to employees, and to help align individual and organizational initiatives for the realization of company goals. In this way, the BSC may be used as part of a larger management system of communication, information sharing, and learning” and serves as the most prolific representation of a PMS.

Moreover, in order to contribute to the development, communication, and review of the organizational strategy, operations management scholars (e.g., de Waal *et al.*, 2009; Lahonen and Pekkola, 2016) have emphasized the importance of considering the level of comprehensiveness of PMSs. In the eighties, traditional PMSs have been criticized for being dominated by short-term and backward-looking metrics, for the lag of financial metrics, and for being internally oriented and poorly linked to the organizational strategy (Neely *et al.*, 1995). To overcome these problems, Kaplan and Norton (1992) introduced the BSC. Successively, they

developed its concept to provide organizations with a set of financial and non-financial performance measures that gave “a fast but comprehensive view of the business” (p. 71) by supporting the strategy implementation, increasing performance, and improving strategic decision making. In the last two decades, the BSC has represented one of the major innovations in the field of performance management techniques.

Over the years, organizations have massively designed and implemented BSC systems. Although there have been considerable contributions in the performance management literature (e.g., Bititci *et al.*, 2015; Bourne *et al.*, 2000; 2002; Pekkola and Ukko, 2016), several features related to its design remain unexplored, and little empirical information exists about the relationships between the level of comprehensiveness of PMSs and the organizational effectiveness it may engender (Maestrini *et al.*, 2018b). For these reasons, management studies have highlighted the need for empirical research to look beyond the simple inclusion of financial and non-financial measures when considering PMSs. Some scholars (de Waal *et al.*, 2009) note the importance of identifying factors that may contribute to the success of PMS projects keeping down the overall high rate of failure of BSC implementations (Johanson *et al.*, 2006; Maestrini *et al.*, 2018a). For example, Wiersma (2009) argues that the BSC is “treated as a black box with no information given about the design of the scorecard, its quality of implementation, or sophistication” (p. 250). In a similar vein, De Geuser *et al.* (2009) highlight the importance of analyzing the contribution of the BSC at different levels of its development. More recently, Hu *et al.* (2017) underline that success in strategy implementation can be increased simply by changing the design and information content of a BSC. Similarly, Cao *et al.* (2015) noted that the BSC forces senior managers to consider all the important operational measures (some of which conflict) at the same time, preventing sub-optimization. The rationale is that the implementation of a comprehensive PMS, such as the BSC, is a complex task that requires continual efforts and adjustments. But, successful implementation rests on the design attributes of the BSC, which may vary across organizations. Unfortunately, these design attributes are rarely addressed in the empirical literature, and it is unknown whether and to what extent they contribute to the effectiveness of the BSC. Indeed, as observed by Speckbacher *et al.* (2003), BSC spread, content, and implementation, as well as users’ experiences, are likely to vary depending on the particular design of a BSC that is deployed.

Therefore, this research aims to extend previous literature in operations management, which explicitly calls for a better operational definition of PMS roles which should be explored further with emphasis on PMS design. The paper relies on two streams of literature: the literature (e.g., Pellinen *et al.*, 2016) that examines the BSC as an exemplar of a comprehensive PMS linking together the corporate strategy with the key scorecard dimensions (i.e., learning and growth, internal business processes, customer, and financial),

and the literature (e.g., de Leeuw and van den Berg, 2011; Pekkola and Ukko, 2016) that explores the relationships with organizational effectiveness. In this way, the paper aims to make a twofold contribution to the theory and the practice in the operations management field. First, it seeks to identify the key design attributes of a comprehensive BSC enhancing the understanding of factors contributing to the BSC success, and second, it empirically investigates whether the level of comprehensiveness of the BSC, as articulated via the design attributes, does relate positively with organizational effectiveness.

The remainder of the paper is structured as follows: it begins with a review of the PMS literature while contextualizing the evolution of the BSC concept and identifying the key attributes for a comprehensive BSC design. Then, it continues with a description of data collection, measures, methods of analysis, and results. Finally, the paper provides a conclusion and a discussion of the main contributions to theory and practice, as well as limitations and directions for further research.

Literature Review

Performance Measurement Systems and Organizational Effectiveness

Hall (2008) defines comprehensive PMSs as systems able to provide a broad set of measures which are integrated with the strategy across all the various functional entities. Micheli and Mura (2017) stressed the importance of considering the level of comprehensiveness of PMSs and claim that it is not merely the use of PMSs that impacts performance; indeed, the type of measures used and, most importantly, the extent to which they are comprehensive may be rather salient factors in explaining success. Upadhaya *et al.* (2014) noted that the use of comprehensive PMSs, which embed non-financial indicators, is tightly coupled with organizational effectiveness. As Chenhall (2005) suggests, there is a wide variation across PMSs, which range in their design from combinations of a few financial and non-financial measures to more comprehensive systems able to link operations to the dimensions of a PMS. A basic question that begs attention is what makes a PMS ‘comprehensive’. What are the constituent elements of a comprehensive PMS? To this regard, the literature has identified some important characteristics or elements.

Ittner *et al.* (2003b) suggest that an important aspect of a comprehensive PMS is what they coin ‘measurement diversity’ defined as “supplementing traditional financial measures with a diverse mix of non-financial measures that are expected to capture key strategic performance dimensions that are not accurately reflected in short-term accounting measures” (p. 717). Henri (2010) adds that a PMS should provide performance information for all of the areas of the organization. It follows that two aspects need to be considered when designing a comprehensive PMS: first, a PMS must include measures representing all areas and

operations of the organization, and second, it must define links between its measures and the organizational strategy and objectives (Smith and Bititci, 2017). The second aspect invokes relationships between the design of a comprehensive PMS and organizational effectiveness. Indeed, these systems may have positive implications on organizational effectiveness in at least two ways. First, a comprehensive PMS acts as a catalyst linking long-term strategic objectives with short-term actions, and second, it can support managers in communicating the intended strategy up and down the organization. Moreover, a comprehensive PMS can encourage companies to pursue strategic learning initiatives in order to create a more collaborative environment within their organizations while enhancing the employees' understanding regarding how they may personally contribute to the company's vision and direction. This, in turn, may result in a better alignment of each individual's performance with the overall strategy (Pekkola and Ukko, 2016). Laihonen and Pekkola (2016) examined how the utilization of a new PMS influences supply chain management (SCM) and the kind of impact the new system has on the performance of the supply chain. Using a longitudinal design, the findings demonstrate that a PMS serves as a catalyst of inter-organizational knowledge transfer and promotes shared learning, which in turn led to improved performance of the supply chain. They further illustrate practical mechanisms through which performance measurement (PM) provides value for SCM. Finally, Micheli and Mura (2017) highlight that comprehensive PMSs have the potential to support organizations in setting future goals, linking rewards to performance measures and conducting periodic performance reviews to advance changes in their strategies.

An Exemplar of a Comprehensive PMS: The BSC

The concept of the BSC, as envisioned by Kaplan and Norton (1992), suggests that the BSC should derive from the corporate strategy and it should include financial and non-financial performance measures organized around the key dimensions (as they relate to learning and growth, internal business processes, customers, and financials). Also, the BSC needs to include cause and effect relationships between measures and tie compensation to non-financial indicators. However, present-day conceptualizations differ.

Ittner *et al.* (2003b) note that many organizations claim to be utilizing the BSC just because they use a mixture of some financial and non-financial measures. In the same vein, Chenhall (2005) highlights the presence of a wide variety of BSC designs, which range from specifying combinations of a few financial and non-financial performance measures to more comprehensive systems which are able to link operations management to the four BSC dimensions and to business strategies. Hall (2008) also argues that the design of the BSC may vary from a less comprehensive system (with delimited information) to a more comprehensive system which furnishes managers with fairly inclusive performance information.

Furthermore, only a few studies have considered what a BSC is and how it can be translated into concepts and practice (Malmi, 2001; Speckbacher *et al.*, 2003). In fact, many firms claiming to have implemented a BSC, do not adopt in practice any, or just a few, of Kaplan and Norton's prescriptions. Ittner *et al.* (2003b) suggest that research needs to examine what organizations mean by BSC while considering that the 'one-size-fits-all' model may not be efficacious for all organizations (Johanson *et al.*, 2006). In fact, the design aspects of a BSC have been overlooked within the realm of the performance management literature.

Given the lack of understanding of what makes a PMS comprehensive, we focus our attention on the design of a comprehensive BSC model. In the next section we review the PMS literature as it relates to the BSC and identify the key design attributes for a comprehensive BSC model.

Review of the BSC Design Attributes

Leung *et al.* (2006) point that "although the conceptual framework of the BSC has been widely accepted in the business community, the proper method of implementing the framework remains an issue" (p. 683). Implementation rests on design attributes, but there is very little in the form of a review of the design attributes affecting the implementation of a BSC. Therefore, an in-depth review of the extant literature has been undertaken to explore the crucial attributes.

The first step in the literature review process was to conduct a scouting study to identify the key sources of research, the type of evidence available, and the main keywords required for finding relevant studies. The vast majority of research on the implementation of BSC systems emerged from different disciplines related mainly to accounting, operations management, and general management. Thus, we searched articles in these fields. While it is not very surprising that research on BSC implementation is embedded in various disciplines and described both in the public and private sectors, it appears interesting to underscore that only a small portion of these articles features issues related to BSC design.

The list of papers we deployed focused only on the most prominent literature addressing BSC design, as reflected by citations. It includes the work of Decoene and Bruggeman (2006), De Geuser *et al.* (2009), Franco-Santos *et al.* (2012), Malmi (2001), and Speckbacher *et al.* (2003). We examined these seminal papers and their respective references for guidance in our quest to uncover salient articles. After examining the extant literature, the authors reconvened to discuss critical keywords and conveying using two main keywords: "performance measurement system design" and "balanced scorecard design". Based on the insights extracted from our scouting study, we defined the criteria for selecting those studies that would constitute the data set for our literature review. The main objective of these selection criteria was to narrow the scope of our research and allow its replication.

The first criterion was based upon the perceived quality of the journal: almost exclusively, 3+ journals from the Chartered Association of Business Schools journal list were considered. An exception was made regarding two papers from the journal ‘Management Decision’ as the authors concluded that their respective content and quality would contribute significantly and positively towards this inquiry. Furthermore, this study focused only on the disciplines that typically produce manuscripts in this domain; this includes production and operations management, operational research, and management accounting.

The second criterion related to the fitness of the content. The search relied on the Scopus database and specified a range from the year 2000 to 2018 (year 2000 was the starting point as this was when Kaplan and Norton published their seminal and best-selling book). Over 2,000 papers were identified. At this point the authors read the abstracts and selected the papers that met the selection criteria, after debating the inclusion of a small number of articles. The researchers then downloaded the full manuscripts and identified further relevant literature through cross-references. This process led us to focus on 21 papers that discuss specifically the design attributes for BSC. A summary table (Table 1) was then created with the main attributes noted in each study. This table captures authors’ names, year of publication, journal of publication, and the twelve specific BSC design attributes that were uncovered. These attributes are reviewed one by one next.

Table 1. Review of the BSC design attributes

<i>Author(s)</i>	<i>Journal of publication</i>	<i>Level of BSC Development</i> (1)	<i>Embedding a Strategy Map</i> (2)	<i>Level of Communication of Corporate Strategies</i> (3)	<i>Level of Alignment between Organizational Objectives and BSC Performance Measures</i> (4)	<i>Relationship between Performance Measures and Managerial Incentives embedded in the BSC</i> (5)	<i>Level of Balance of BSC Dimensions</i> (6)	<i>Number of Performance Measures Used with the BSC</i> (7)	<i>Nature of Performance Measures Used with the BSC</i> (8)	<i>Frequency of Updating BSC Reports</i> (9)	<i>BSC Longevity</i> (10)	<i>Level of Top Management Support</i> (11)	<i>Level of Integration Complexity between the BSC and Information Systems</i> (12)
Ahn (2001)	<i>Long Range Planning</i>		X	X	X		X	X	X				X
Bentes <i>et al.</i> (2012)	<i>Journal of Business Research</i>						X	X	X				
Bourne <i>et al.</i> (2000)	<i>International Journal of Operations & Production Management</i>			X	X			X	X	X		X	X
Cao <i>et al.</i> (2015)	<i>International Journal of Production Research</i>		X	X	X		X	X	X				X
Chalmeta and Palomero (2011)	<i>Journal of the Operational Research Society</i>			X	X		X	X	X			X	X
Davis and Albright (2004)	<i>Management Accounting Research</i>		X			X		X	X			X	

Decoene and Bruggeman (2006)	<i>International Journal of Operations & Production Management</i>				X	X	X	X	X				
Hu et al. (2017)	<i>European Journal of Operational Research</i>	X					X	X	X				
Ittner et al. (2003a)	<i>The Accounting Review</i>		X		X	X	X	X				X	
Ittner et al. (2003b)	<i>Accounting, Organizations and Society</i>			X	X		X	X		X			
Kim and Rhee (2012)	<i>International Journal of Production Research</i>					X	X	X				X	X
Kolehmainen (2010)	<i>Long Range Planning</i>			X	X	X	X		X			X	
Liang (2015)	<i>International Journal of Production Research</i>					X	X	X				X	X
Llach et al. (2017)	<i>Management Decision</i>					X	X	X					
López-Ospina et al. (2017)	<i>Management Decision</i>	X				X	X	X					
Malmi (2001)	<i>Management Accounting Research</i>	X			X		X		X				
Nielsen and Nielsen (2012)	<i>Production Planning & Control</i>	X				X	X	X				X	X
Papalexandris et al. (2004)	<i>Long Range Planning</i>	X	X	X	X	X	X	X	X			X	X
Rajesh et al. (2012)	<i>International Journal of Production Economics</i>		X			X	X	X					
Speckbacher et al. (2003)	<i>Management Accounting Research</i>	X	X		X		X			X			
Ukko et al. (2007)	<i>International Journal of Production Economics</i>		X		X					X	X		

(1) *Level of BSC Development.* One of the first design elements for a BSC is the level of the development that is desired as managers need to consider whether the design will be rather rudimentary and thus cover the most elemental expectations, or be rather comprehensive and thus more inclusive and informative. Kaplan and Norton's main works suggest that there are three levels of development in the design and subsequent implementation of a BSC system:

1. *Level 1* (Kaplan and Norton, 1992) – BSC is developed as a PMS encompassing a coherent set of financial and non-financial performance measures covering different perspectives of the organization.
2. *Level 2* (Kaplan and Norton, 1996) – BSC is transformed into a strategic management system describing management processes and principles to develop and implement a strategy-focused and aligned management system.
3. *Level 3* (Kaplan and Norton, 2006) – BSC is conceived as a comprehensive management philosophy embracing strategy maps. According to Kaplan and Norton (2006) the strategy-focused organization is based on a set of five principles: (i) translate the strategy into operational terms; (ii) align the organization to the strategy; (iii) make

strategy everyone's day job; (iv) make strategy a continual process and (v) mobilize leadership for change.

For instance, at Level 1 the organization may collect and monitor a variety of measures related to delivery performance while at Level 2 these measures may be linked to customer retention levels and at Level 3 the organization may mobilize resources and make delivery performance part of everyone's daily job.

With the notable exception of Speckbacher *et al.* (2003), no other studies on BSC design have explicitly highlighted this important attribute. The rationale for inclusion is that BSC diffusion, content, and implementation challenges, as well as users' experiences, are likely to vary depending on the level of development that is designed in a BSC. As an organization anticipates the introduction of a BSC, managers have to make choices whether the BSC will be designed as a rather rudimentary or comprehensive tool.

(2) *Embedding a Strategy Map* – Kaplan and Norton developed the idea of mapping causal relationships between BSC dimensions and their respective measures into a strategy map in their first book (1996). According to Kaplan and Norton (2006), the most important consequence when an organization embeds a strategy map in the design is the ability to communicate the strategy to the entire organization. To this end, Malmi (2001) observed that most organizations which have not yet developed a strategy map model are facing problems in describing cause-and-effect relationships. Nielsen and Nielsen (2012) suggest that the cause and effect relationships among the different measurement dimensions in a strategy map are fundamental for a BSC system.

The design of a strategy map has not been widely discussed in the literature (Cao *et al.*, 2015; Davis and Albright, 2004), and generally the cause-and-effect relations amongst BSC dimensions are generated subjectively using managerial experience and judgment. A notable exception is the study of López-Ospina *et al.* (2017) which proposes a quantitative methodology. Using a linear programming model (i.e., DEMATEL), they selected those relationships that should be included in a strategy map. Using a strategic-operations research perspective, Hu *et al.* (2017) show that participants do not make better decisions when facing a reduced set of strategy-related indicators that are assigned to strategic themes and grouped into the four classic BSC dimensions. Instead, the BSC strategy map concept integrated into decision-supporting dashboards, such as the BSC, increases strategy-implementation performance. This result highlights the fact that success in strategy implementation can be increased just by changing the design and information content of a dashboard (e.g., introducing information on causal relations and showing next-quarter goals).

(3) *Level of Communication of Corporate Strategies* – The diffusion of corporate strategy across the hierarchy is vital if employees at the trenches are to contribute positively towards

the corporate strategy. For example, shop-floor employees need to be communicated what is important in order to support the corporate strategy, or how their work impacts specific measures – the importance of quality or delivery performance for instance can be stressed and linked with the customer dimension. The design of a BSC is critical in this respect as it can serve as a vehicle to diffuse the corporate strategy across the organization (Rajesh *et al.*, 2012; Chalmeta and Palomero, 2011). Kaplan and Norton (1996) suggest that BSC can be used to communicate strategy to all the members of the organization and this would represent the greatest benefit for the organization. Previous studies (e.g., Speckbacher *et al.*, 2003) suggest that given that BSCs are primarily implemented at higher organizational levels, it is interesting to see the extent to which these are used as instruments for communicating the strategy to lower organizational levels. Bititci *et al.* (2006) illustrate that using a BSC system would improve the internal communication of the strategy, promoting closer collaboration and better knowledge sharing among employees. Papalexandris *et al.* (2004) highlight how using BSCs would strengthen the focus on the achievement of results and enhance clarity. Finally, Ukko *et al.* (2007) produce evidence about the positive impact of the BSC in generating more specific and exploitable information which in turn provides a more solid base for management-employee communication.

(4) Level of Alignment between Organizational Objectives and BSC Performance Measures – A stream of literature (Cao *et al.*, 2015; Ittner *et al.*, 2003a) maintains that the BSC by its very design enables managerial decision making by aligning performance measures with the goals and strategies of the organization. Implicitly, alignment is a state that can be created via design efforts. Central to this process is the BSC, as an exemplar of a PMS, because of its dual functions of communicating strategy and controlling performance. Kolehmainen (2010) find that PMSs are effective mechanisms for improving strategic alignment (i.e., helping organizations align their actions in pursuit of their strategic objectives).

Operations managers need to assure that BSC performance measures are aligned with organizational objectives. For example, if the organization is pursuing a low-cost strategy, then an adequate and relevant number of BSC performance measures should be specified in order to attain information that can be used to steer organizational actions. The extent to which BSC systems are able to influence the organization strategy processes is shaped however by the cognitive limitations of managers (Ahn, 2001) alongside the way in which the system is designed, developed, and ultimately used.

(5) Relationship between Performance Measures and Managerial Incentives embedded in the BSC – The lack of linkage between BSC design and incentive schemes has been considered the primary barrier to system effectiveness (Johanson *et al.*, 2006). Incentive schemes are important to motivate employees to appropriately focus on and exploit information generated by a BSC (Davis and Albright, 2004; Decoene and Bruggeman 2006). However, Ittner *et al.*

(2003a) found no evidence that the BSC enhanced managers' understanding of business goals. Instead, they revealed that by placing weight on financial metrics, by considering scorecard-non-related factors in performance evaluation, by modifying evaluation criteria quarterly, and by ignoring predictive measures of future financial performance while weighting non predictive metrics, managers were able to distort the 'equilibrium' in bonuses. This "high level of subjectivity in the BSC plan led many branch managers to complain about favoritism in bonus awards and uncertainty in the criteria being used to determine rewards. The system ultimately was abandoned in favor of a formulaic bonus plan based solely on revenues" (Ittner *et al.*, 2003a, p. 725).

Papalexandris *et al.* (2004) noted that the use of incentives in a BSC setting caused tensions between members of a project team and thus this practice was abandoned, as top management believed that managerial cooperation towards achieving targets was more important than competing for bonuses. Epstein and Manzoni (1998) note that many organizations are adopting a 'wait while we learn' approach, while Malmi (2001) questions whether the incentive system is compatible with the BSC and, eventually, how such compatibility could be improved. Therefore, the relationship between comprehensive BSC design and managerial incentives deserves further attention, given that the potential BSC system tends to be reinforced when the performance measures are linked to reward schemes (Franco-Santos *et al.*, 2012).

(6) *Level of Balance of BSC Dimensions* – BSC designs should highlight the balance amongst its four dimensions (i.e., learning and growth, internal business processes, customer, and financial). Kaplan and Norton (2001) recommend equal weighting, suggesting that non-financial measures are at least as important as financial measures and that the BSC rules out suboptimal decision making, forcing managers to consider all the relevant components. The assumption is that an equal allocation of attention is most optimal and resembles a comprehensive measurement system as suggested by Braam and Nijssen (2004). Recently, Llach *et al.* (2017) revealed that internal processes and customer dimensions are found to be equally important in terms of the contribution to financial results and that a balance between the four components is needed. They empirically show how "a non-appropriate behavior of the second or third perspectives could cause a 50 percent decrease in financial results, which is consistent with the original ideas developed by Kaplan and Norton (1996)" (p. 2194).

Contrarily to the perspective of Jensen (2001), who argues that the financial dimension is always the sole priority, Jääskeläinen *et al.* (2014) highlight the notion that the four BSC perspectives are all interrelated and are equally important. However, some studies introduce also new perspectives. Chalmeta and Palomero (2011) provide practical examples of 16 organizations that embedded the dimensions of ecological and social sustainability within their strategic considerations and then decided to manage them using the BSC. A succinct example of

weighing for a comprehensive BSC is Bentes *et al.* (2012), who formally explain how to weigh the importance of the dimensions.

(7) *Number of Performance Measures Used with the BSC* – Studies on BSC (e.g., Henri, 2010; Liang, 2015) accentuate the importance of incorporating a set of performance measures in the design that provide a balanced usage of the different dimensions. Ittner *et al.* (2003b) find consistent evidence suggesting that firms making more extensive use of a broader set of financial and (particularly) of non-financial measures than firms with similar strategies or value drivers, have higher measurement system satisfaction and stock market returns. Using a Delphi study, Rajesh *et al.* (2012) demonstrate how managers can design a BSC to measure and evaluate day-to-day business operations across the four BSC dimensions. They underscore the importance to balance a set of financial and non-financial measures and furnish weights for each BSC dimension. Malmi (2001) reports that the number of measures in a BSC ranges between a minimum of 4 and a maximum of 25 while Van der Stede *et al.* (2006) find that increasing the number of performance measures may help organizations obtain better organizational performance, maintaining that managers would have an incentive to focus on those activities for which their performance is measured and evaluated on, often at the expense of other relevant but non-measured activities. Operations managers can contribute a number of important measures, which are linked to the overall strategy of the organization (Hu *et al.*, 2017). These measures can vary from product innovation, to productivity, inventory, lead time, quality, and cost amongst others (Kolehmainen, 2010).

(8) *Nature of Performance Measures Used with the BSC* – Libby *et al.* (2004) addressed the importance of choosing the right performance measures in line with the business unit strategy and avoiding the ‘one-size-fits-all’ approach which could lead, for example, to the usage of common or standardized performance measures for diverse business units. In particular, Kaplan and Norton’s prescriptions suggest that a BSC design should rely on both financial and non-financial performance measures. This is an overall design consideration on how to apportion performance measures across financial and non-financial categories (Chalmeta and Palomero, 2011; Llach *et al.*, 2017). Bryant *et al.* (2004) found significant differences between organizations implementing BSC systems using both financial and non-financial performance measures versus organizations with BSCs relying solely on financial measures, suggesting that the inclusion of both financial and non-financial performance measures is indispensable for a comprehensive BSC design.

(9) *Frequency of Updating BSC Reports* – The frequency in updating BSC reports is another key attribute that should be embedded in the design of a comprehensive BSC. Reviewing and updating PMSs based on environmental changes are as important as developing and implementing them. In essence, a BSC should be dynamic in nature. Operations managers need current information in order to mobilize resources where necessary in an environment

where speed and responsiveness are becoming forms of competitive advantage. Thus, BSC reports should be updated on a regular basis. Henri (2010) notes that a PMS is an ongoing process that has to be managed continuously and not merely only during the implementation phase. Only a few studies (e.g., Bourne *et al.*, 2000; Malmi, 2001) focused on the updating process to ensure that PMSs are current.

Updating BSC reports on a regular basis allows operations managers to focus on the ‘goodness of fit’ of BSC performance measures to the changes in the business environment. Bourne *et al.* (2000) stress that the PMS should include a process for a periodic review of the measures adopted following changes in the competitive environment or in the organizational strategy. Malmi (2001) finds that the frequency of reporting information ranges from three to four times a year to once a month. Kolehmainen (2010) notes that the frequency may vary depending on the organizational level. In particular, she found that measures at the corporate level (e.g., growth, productivity, and customer satisfaction related measures) were reviewed on an as-needed basis; at the business unit level (e.g., business area specific measures) measures were fairly stable or reviewed based on a business area’s own discretion; and at the individual level (e.g., strategic and operational targets) they were reviewed every six months or even more frequently due to changes in external or internal related factors. That may suggest that some types of BSC design and usage demand more frequent reporting than others (Wiersma, 2009).

Papalexandris *et al.* (2004) noted, however, as “the main weakness of the BSC implementation lies in the complexity and time involved in its development and periodic review, especially if there is a need to represent different business units and levels of a company” (p. 364). Also, Kolehmainen (2010) stated that “dynamism can be built into [PMS designs] by establishing review processes and audit tools that enable managers to monitor whether the measures remain relevant in light of external and internal developments” (p. 541). However, such approaches would limit the flexibility of companies to modify performance measures in the short term. To overcome this limitation, Kolehmainen (2010) suggests that placing emphasis on ‘individual-level PMSs’ and engaging managers throughout the organization to weight the relevancy of measures may be more effective. Moreover, this will contribute to mobilizing local knowledge within the organization “in relation to the most significant and timely issues, and result in the definition of more valid, reliable and understandable measures” (p. 541).

(10) *BSC Longevity* – The level of BSC longevity is reflected by the number of years since its adoption. Managers, in their role as designers, have to consider the length of time over which the BSC will be deployed as many benefits accrue over time. Beyond budgeting considerations for implementing, managing, and updating the BSC, Kaplan and Norton (2001) admit that improved performance may occur after two to three years of

implementation of the BSC due to the lag effect between its adoption and performance gains. Maestrini *et al.* (2018a) find that PMS maturity can lead to higher performance. Based on eight case organizations deploying the BSC, Ukko *et al.* (2007) report that the maturity of the BSC is one of the key factors behind its positive impact. The longevity of the BSC enabled the transformation of PM data to usable and exploitable information. By using this information, it was possible to allocate the resources to the right activities, which led to higher financial performance. Ittner *et al.* (2003b) noted that the effects on performance results are stronger in their subsample of firms with more mature BSC systems, suggesting that BSC yields economic results with some time lag. Thus, managers need to consider that BSC longevity may affect organizational performance, with ‘mature’ BSCs being more effective in gaining better results (Bititci *et al.*, 2015).

(11) *Level of Top Management Support* – Previous research in the field of performance management (Bourne *et al.*, 2002) reports that top management support is an indispensable design factor able to influence the effectiveness of the BSC. Bourne *et al.* (2002) find that such support is fundamental for the implementation and for the on-going usage of PMSs. Ukko *et al.* (2007) show that top management commitment and leadership are key factors in enhancing PMS effectiveness. Kennerley and Neely (2002) note that attaining top management support is critical for PMS design and subsequent implementation and that the amount of time managers dedicate to PMS measures is vital for the effectiveness of the system (Tung *et al.*, 2011). Melnyk *et al.* (2004) noted that “the BSC excels at its ability to force top management to recognize that multiple activities must be carried out for corporate success and the management and monitoring of these activities must be balanced” (p. 213).

If operations managers, for instance, desire to attain specific performance measures, then tangible and intangible resources have to be committed to make this a reality, aspects of organizational structure and reporting have to be altered, and information systems need to be adjusted or implemented to source the relevant information (Chalmeta and Palomero, 2011). Without top management involvement, this may be a futile exercise. Kim and Rhee (2012) noted that the support from managers was key to implementing the BSC successfully in a green supply chain context. More recently, Gutierrez *et al.* (2015) present empirical findings of a longitudinal field study which shed new light on the dynamics of top management commitment and demonstrate an important role played by top managers. Therefore, the deployment of a BSC needs constant support, by design, from the top management to avoid compromising organizational effectiveness (Liang, 2015).

(12) *Level of Integration Complexity between the BSC and Information Systems* – Papalexandris *et al.* (2004) suggest that BSC is a control package that work together with information systems to deliver certain outcomes. In the realm of a BSC, such integration may be complex and demanding since BSC works together with other management systems that

may need to be integrated too (Nielsen and Nielsen, 2012). However, despite the complexity that the integration of such a system may fashion, it is essential to consider that low levels of BSC integration with the information systems have the potential to undermine the effectiveness of the BSC itself (Cao *et al.*, 2015). For example, Kim and Rhee (2012) reported that in the causal relations between the critical success factors of green supply chain management and the BSC performance, the integration of infrastructure has a positive direct and indirect effect on financial performance.

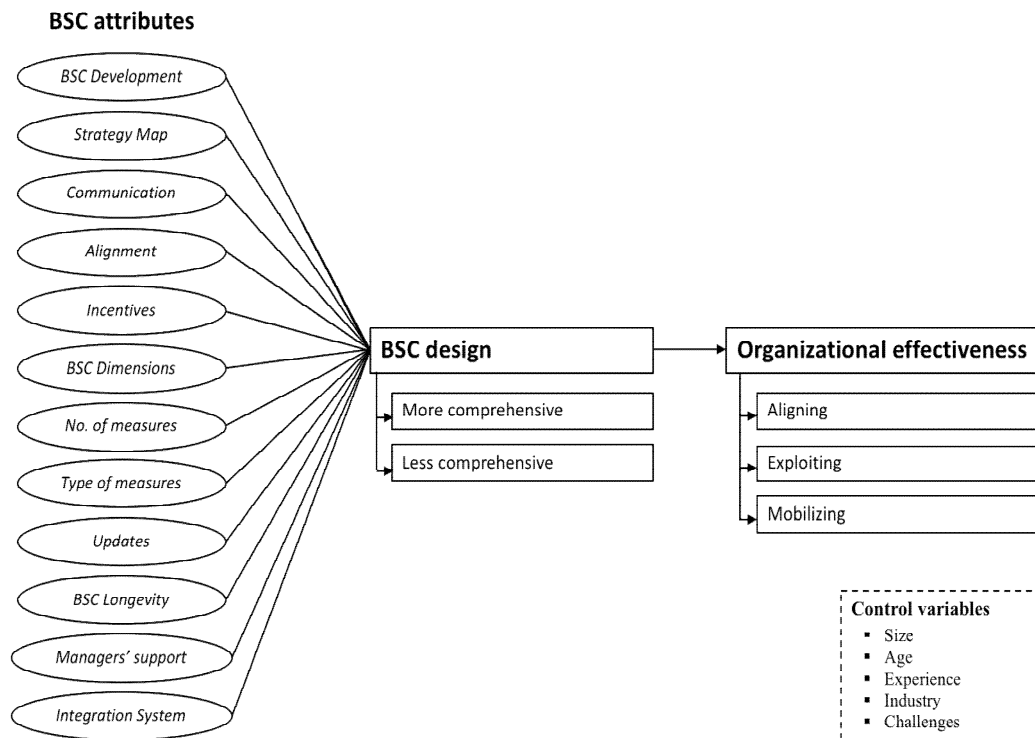
Theoretical framework

Previous research suggests that the design of BSCs appears highly malleable compared with the original conceptualization proposed by Kaplan and Norton (1992), ranging from a less comprehensive to a more comprehensive design. We posit here that organizational effectiveness improvements can be achieved by carefully designing the BSC and its constituent attributes. Our detailed review of the literature revealed 12 salient attributes and the extant literature implicitly suggests that the absence of one or some of the constituent attributes (e.g., the presence of a strategy map or a good mix of financial and non-financial indicators) may result in a deficient design, which may incite fatal flaws in the implementation process and potentially curtail organizational effectiveness. Indeed, the PM literature has found that PMSs have a positive impact on organizational effectiveness by aligning employee capabilities, activities, and performance with the organizational strategic goals. The BSC has been viewed as a vehicle to articulate the strategies of a company, to communicate these strategies to employees, and to help align individual and organizational initiatives for the realization of company goals. Figure 1 depicts our theoretical framework, which highlights the 12 BSC design attributes. The inclusion/exclusion of them, together with the extent to which they are deployed, will result in the BSC design which ranges from a less to a more comprehensive model.

The link between BSC design and organizational effectiveness is also examined. This link is imperative as over the years organizations have massively designed and implemented BSC systems, but yet little empirical evidence exists regarding the relationship between the level of comprehensiveness of PMSs and the organizational effectiveness it may engender (Maestrini *et al.*, 2018b). A more comprehensive design, for example, spurs communication across and between internal and external constituents, links organizational actions with organizational goals, and proffers frequent performance updates along with incentivizing employees to steer proper resources and action. Such attributes empower adaptation to the evolving environment while facilitating exploitation and mobilization of tangible and intangible resources.

To this end, understanding factors that may undermine the success of BSC design appears to be instrumental in minimizing the risk of failure. The paper argues that BSCs should be

comprehensive and carefully designed to avoid pitfalls and unintended consequences such as



opportunistic behavior by employees who exploit misaligned incentive arrangements. Therefore, the research question we aim to address is: *does a more comprehensive BSC design enhance organizational effectiveness?*

Figure 1. Theoretical Framework

To respond to our research question, we apportion subject firms into groups in such a way that firms within each group display similar scores across the set of the 12 BSC design attributes; in other words, they exhibit homogeneity. On the other hand, firms across groups display dissimilarity in their scores. The implicit assumption is that higher scores reported on these attributes reflect a more comprehensive BSC design, which in turn renders the organization more capable in adapting its life to its intended strategy, in gaining a better appreciation of strategic intent and attempting to make it a reality, and in mobilizing people via better communication and motivation, culminating into building consensus.

Methodology

Sample

This study relies on responses obtained from 103 Italian companies that have implemented a BSC. The extant empirical research has employed field studies that furnished valuable information but only from a small set of firms (e.g., Malmi, 2001) and this raises

generalizability concerns. Instead, this inquiry deploys a survey-based approach, which aims to complement the prior studies by collecting information from a broader cross-section of organizations.

Based on the research purposes and objectives of the study, the survey population was selected to ensure that it adequately covered the target population (Van der Stede *et al.*, 2005). This process was conducted in two stages. In the first stage, an in-depth and time-consuming research was undertaken to identify which Italian companies may be deploying a BSC approach. We read through several management books, specialized magazines, academic journals, working papers, internet websites, conference proceedings, and relied on personal knowledge from past research, while excluding relatively Small and Medium Enterprises (SMEs). This decision was motivated by our long experience in this domain which suggests that SMEs are less likely to be using complex management control systems, such as the BSC approach. Next, telephone calls were made to verify whether these organizations were still deploying the BSC and to further stimulate interest in the research project. Overall, 260 organizations that currently deploy BSCs were targeted. In the second stage, and in order to increase the sample size, an additional 250 organizations were identified via personal contacts and connections with the sponsoring university. After contacting each organization to ensure they were users of the BSC, we added 124 organizations to our target list. Ultimately, a sample of 384 organizations deploying at least some kind or level of the BSC approach was compiled.

Subjects were invited via email to respond to the questionnaire survey. An introductory letter clarifying the purposes and objectives of the research project preceded the administration of the survey instrument. The primary goal of the study was to gather information from organizations regarding the design aspects of their respective BSC and subsequent organizational implications. Target respondents were promised an overall benchmark report in order to elicit higher levels of commitment.

We assembled survey items based on a careful review of the literature and then pre-tested the survey instrument to assess whether respondents could correctly understand the questions. Feedback from subject matter experts aimed to improve the quality of the survey by promoting clarity. A preliminary draft was also discussed with four academic scholars with expertise in PMSs in order to assure that the content domain has adequate coverage (i.e., content validity) before pre-testing the instrument with a group of three operations managers and three controllers in six organizations. The feedback we received helped us improve the clarity, comprehensiveness, and relevance of the survey instrument measures; we discarded and modified some measures. The operationalization of the variables appears in Table A1.

We targeted subjects at 384 firms, but after follow-up e-mails and multiple phone calls to non-respondents, we obtained 111 questionnaires from primarily top and middle management.

Some returned questionnaires had missing data/incomplete responses and thus 8 surveys were excluded from data analysis. A final sample of 103 surveys was utilized for data analytic purposes. Respondents were CEOs and general managers (17%), financial managers (9%), operations managers (49%), information system managers (7%), internal process and total quality managers (15%), and other organizational members (3%). Participants are highly educated and possess significant experience as reflected by the age and experience distributions respectively (Table 2). The organizational profiles suggest that a large proportion (44.66%) of firms is in the manufacturing industry as expected, and about 67% of the organizations employ more than 500 employees (Table 3).

Table 2. Organizations' Profile

	Frequency	Percent
Industry (INDUSTRY)		
Mining and quarrying	5	4.85
Manufacturing	46	44.66
Water supply, sewerage, waste management and remediation activities	1	0.97
Construction	2	1.94
Wholesale and retail trade; repair of motor vehicles and motorcycles	3	2.91
Transport and storage	3	2.91
Information and communication	2	1.94
Financial and insurance activities	8	7.77
Public administration and defense; compulsory social security	23	22.33
Human health and social work activities	9	8.74
Other service activities	1	0.97
Total	103	100.00
Number of employees (SIZE)		
Up to 250	21	20.39
251 – 500	13	12.62
501 – 1000	19	18.45
1001 – 5000	34	33.01
More than 5000	16	15.53
Total	103	100.00

Table 3. Respondents' Personal Profile

	Frequency	Percent
Age (AGE)		
Less than 30 years	8	7.77
31 – 40	40	38.83
41 – 50	39	37.86
51 – 60	16	15.53
Total	103	100.00
Experience (EXP)		
1 year	8	7.77
2 – 4 years	43	41.75
5 – 7 years	29	28.16
8 – 9 years	7	6.80
More than 10 years	16	15.53
Total	103	100.00
Education		

Degree in Economics	53	51.46
Degree in Engineering	10	9.71
Degree in Maths/Statistical Sciences	2	1.94
Other Degree	17	16.50
Graduate	21	20.39
Total	103	100.00

The state and level of BSC implementation are reported in Table 4. Regarding the former, the majority of the organizations (70%) are currently using a BSC approach, others (21%) are starting to introduce it with a pilot project, and a small proportion (9%) is considering abandoning it. Kaplan and Norton (1996) argue that the BSC should be primarily applied at the business unit level since it is usually at this level that competitive strategies become salient; the responses suggest that 74% of the responding firms apply the BSC at the business unit level. However, 15% of the surveyed organizations do deploy a corporate level scorecard while few BSCs tend to be used at lower hierarchical levels, such as at the plant (9%) or departmental (2%) levels.

Table 4. State and Level of BSC implementation

		State of BSC implementation			Total
		Currently adopted via pilot project	Presently Deployed	Consider abandoning it	
Level of BSC implementation	Corporate	4	11	1	16 (15%)
	Business	16	53	7	76 (74%)
	Plant	0	8	1	9 (9%)
	Department	2	0	0	2 (2%)
	Total	22 (21%)	72 (70%)	9 (9%)	103 (100%)

Given that the survey has a response rate of 29%, it is essential to assess non-response bias. We deployed two separate procedures: the first procedure is based on time responses, and we rely on the specific approach advocated by Armstrong and Overton (1977). A t-test was conducted but failed to detect any significant differences in the mean scores of the 12 BSC design attributes between the early half of the respondents (52) and the late half (51). Using the second procedure, we examined whether there were differences in the mean scores of the 12 BSC design attributes in relation to industry and job position, finding however no significant mean differences (at p-value < 0.05). Hence, it appears that non-response bias is not a major concern in this sample.

Organizational Effectiveness

The organizational effectiveness of the BSC is resting on the seminal inquiries of Kaplan and Norton (1996; 2001). More recently, the concept of organizational effectiveness has been used by Upadhaya *et al.* (2014) in the context of PMSs. To investigate the level of

effectiveness associated with the adoption of the BSC, the survey asked respondents to rate the extent to which their organizations had attained 13 different organizational benefits (see Table 5) after implementing the BSC approach by using a Likert scale (1=completely disagree, 7=completely agree). To examine the underlying structure of the data, Principal Component Analysis (PCA) along with Varimax rotation was performed. Three meaningful factors with eigenvalues greater than one were extracted explaining almost 65% of the variance.

The first factor is labeled *Aligning* (*ORG_Aligning*, Cronbach's alpha=.851) and reflects how the organization adapts its life to its intended strategy. The following indicators are related to this latent factor: (i) translating strategy into operational goals; (ii) aligning the organization with the strategy; (iii) making strategy everyone's daily job; (iv) improving employees' knowledge on how they are evaluated; and (v) making the linkages among short and long-term objectives clearer.

The second factor is labeled *Exploiting* (*ORG_Exploiting*, Cronbach's alpha=.754) as the organization gains a better appreciation of strategic intent and attempts to make it a reality. The following five indicators reflect the second latent factor: (i) spending more time and effort on strategic related issues; (ii) adopting new performance measures; (iii) explicating cause-and-effect relationships; (iv) increasing the participation of top management in the formalization of the strategy; and (v) linking performance measures to corporate strategy.

The third factor includes three measures related to the consequences of the BSC as means to *Mobilize* (*ORG_Mobilizing*, Cronbach's alpha=.809) people via better communication and motivation, culminating into building consensus. Specifically, the three measures are: (i) improving internal communication among people; (ii) motivating human resources (in comprehending their role within the organization); and (iii) building consensus around the organization's vision and strategy.

Table 5. Factor analysis of BSC Organizational Effectiveness

	ORG_Aligning	ORG_Exploiting	ORG_Mobilizing
(1) Translating strategy into operational goals	0.847	0.218	0.100
(2) Aligning the organization with the strategy	0.814	0.144	0.264
(3) Making strategy everyone's daily job	0.641	0.271	0.300
(4) Improving employees' knowledge on how they are evaluated	0.610	-0.142	0.502
(5) Making the linkages among short and long-term objectives clearer	0.518	0.292	0.069
(6) Spending more time and effort on strategic related issues	0.157	0.784	0.189
(7) Adopting new performance measures	0.045	0.715	0.180
(8) Explicating cause-and-effect relationships	0.164	0.643	0.167
(9) Increasing the participation of top management in the formalization of the strategy	0.560	0.613	-0.097

(10) Linking performance measures to corporate strategy	0.354	0.582	0.261
(11) Improving internal communication among people	0.053	0.243	0.863
(12) Motivating human resources (in comprehending their role within the organization)	0.359	0.255	0.728
(13) Building consensus around the organization's vision and strategy	0.287	0.387	0.620
<i>Extraction sums of squared loadings</i>	5.82	1.42	1.18
<i>Variance explained (%)</i>	44.78	10.90	9.06
<i>Total variance explained (%)</i>	44.78	55.68	64.74
<i>Cronbach's alpha</i>	0.851	0.754	0.809
<i>KMO Sampling adequacy</i>	0.88		
<i>Approx. chi-square</i>	612.39***		

*** Significant at the 0.001 level

Extraction Method: Principal Component Analysis

Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 7 iterations.

Control variables

Firm Size (SIZE) – Firm size may influence the effectiveness of a BSC. As Hoque and James (2000) note, BSC usage is positively associated with organization size. Larger organizations have more tangible and intangible resources they can deploy towards organizational effectiveness. In essence, large organizations may undertake a more comprehensive approach to a BSC, and thus organizational effectiveness may be impacted to a larger degree.

Respondent's Age (AGE) – Age is highly correlated with the breadth and depth of life experiences, and thus older respondents may view the impact of the 12 attributes on organizational effectiveness differently than younger respondents.

Respondent's experience (EXP) – Respondents with long experiences tend to view relationships between variables more spherically; they gain a better understanding of cause-and-effect issues due to multiple experiences over time. Thus, their responses may be different than those of respondents that have limited experience.

Type of Industry (INDUSTRY) – Not-for-profit organizations may have different motives as compared to for-profit organizations and are structured differently from for-profit organizations; they may have to adjust the design of their BSCs as some dimensions are more salient than others in their realm. More than 30 companies out of 103 in our sample are associated with not-for-profit organizations (e.g., public administration and defense, compulsory social security, human health and social work activities) and thus we created a dummy variable representing for-profit versus not for profit organizations to account for industry type.

Challenges Imposed by the BSC Design (CHALLENGES) – The more challenging/difficult it is to integrate/manage the BSC, the more hurdles lie ahead to attain any potential benefits or consequences afforded by the BSC usage. This variable was measured by asking respondents

to indicate on a 7-point scale (1=completely disagree, 7=completely agree) the extent to which they agreed with the following four items: (1) managing and updating the information system of the BSC is complex; (2) the integration of BSC in strategic planning and in budgeting processes is a difficult task; (3) projecting BSC architecture and fitting it to company environment is a difficult task; and (4) in terms of benefits/costs, BSC is unprofitable.

Analysis and Results

Cluster Analysis

Given that the paper aims to propose a model regarding design attributes of a comprehensive BSC, meant as a system ascribed with internal consistency among multiple structural BSC attributes, cluster analysis was deployed to apportion organizations into respective homogeneous groups. Hotho (2014) notes that cluster analysis is essential in determining taxonomies, configurations, or strategic groups, and following Brusco *et al.* (2017), hierarchical and non-hierarchical cluster analyses were performed using standardized measures to prevent different scale intervals from affecting the clustering procedures. A hierarchical procedure (using Ward's method for distance) was first used to establish the number of clusters and to specify initial cluster seed points. Subsequently, a K-means cluster analysis was performed by using the centroid values of the previous hierarchical analysis. This procedure combined the advantages of the hierarchical method along those engendered by the non-hierarchical procedure, with the latter being able to 'fine-tune' the results by allowing the switching of cluster membership. Ultimately, analysis of variance (ANOVA) and Cohen's *d* factor were deployed to identify and measure differences between the clusters. Tables 6 and 7 report the main differences between the clusters.

Table 6. BSC Design

	Less Comprehensive BSC design (53)	More Comprehensive BSC design (50)	Distance between groups ^a
1. BSC_Development	Less developed	More developed	Large
2. BSC_Strategy Map	Rarely adopted	Frequently adopted	Large
3. BSC_Strategies Communication	Top Management-oriented	Employee Level-oriented	Large
4. BSC_Internal Alignment	Less alignment	Greater alignment	Large
5. BSC_Manual Incentives	Less linked to incentives	More linked to incentives	Large
6. BSC_Balanced Dimensions	Less balanced	More balanced	Moderate
7. BSC_Number of Performance	Fewer measures (<20)	More measures (>21)	Large
8. BSC_Nature of Performance Measures	More financial focused	Less financial focused	Small
9. BSC_Reports Updating	Less frequently updated	More frequently updated	Small
10. BSC_Longevity	Less adoption experience	More adoption experience	Large
11. BSC_Management Support	Medium support	Medium – High support	Small
12. BSC_IT Integration	Less integrated	More integrated	Moderate

^a Based upon Cohen's *d* factors (Table 7). Cohen (1988) suggests interpreting the standardized difference between two means as small ($d = 0.2$), moderate ($d = 0.5$), and large ($d = 0.8$).

Almost all 12 attributes display statistical and substantive differences across the two clusters. The two clusters varied the most when considering the BSC_ Development and BSC_ Strategy Map attributes. On the other hand, the two clusters varied the least when considering the BSC_ Nature of Performance Measures and BSC_ Reports Updating. Collectively, the results suggest that organizations can be classified into two main levels of comprehensiveness regarding their BSC design, i.e., less comprehensive to more comprehensive design.

Table 7. Cluster analysis results – BSC Design

		CLUSTERS		ANOVA		EFFECT SIZE	
		Less Comprehensive BSC Design	More Comprehensive BSC Design	F ratio	Sig.	Cohen's <i>d</i>	Effect size <i>r</i>
1.	BSC_Development	1.47	2.68	78.89	0.00	1.76	0.66
2.	BSC_Strategy Map	0.34	0.96	72.44	0.00	1.69	0.64
3.	BSC_Strategies Communica-	1.74	2.42	24.09	0.00	0.96	0.43
4.	BSC_Internal Alignment	4.53	5.60	32.72	0.00	1.12	0.49
5.	BSC_Management Incentives	3.41	4.53	20.27	0.00	0.89	0.41
6.	BSC_Balanced Dimensions	43.26	59.46	4.98	0.03	0.44	0.21
7.	BSC_Number of Performance	3.96	5.80	23.60	0.00	0.96	0.43
8.	BSC_Nature of Performance	3.50	3.34	0.24	0.63	0.10	0.05
9.	BSC_Reports Updating	3.12	3.38	1.62	0.21	0.25	0.12
10.	BSC_Longevity	2.68	4.14	16.72	0.00	0.80	0.37
11.	BSC_Management Support	5.83	6.24	3.06	0.08	0.35	0.17
12.	BSC_IT Integration	3.90	4.74	6.42	0.01	0.50	0.24
Number of Cases		53	50				

Note: Cohen's *d* effect size less than 0.3 is small, around 0.5 is medium and more than 0.8 is large. Cohen's *d* is an index measuring the magnitude of a treatment effect. Unlike significance tests, this index is independent of sample size. Cohen (1988) defines *d* as the difference between the means divided by the pooled standard deviation.

Cluster 1: A less comprehensive BSC design

The design of the BSC in this cluster suggests a less comprehensive BSC design, as the cluster scores would imply. For instance, the balanced dimensions cluster score is 43.26 while for more comprehensive BSC it is 59.46 ($F_{diff}=4.98$, $p<.03$). In terms of actual scores, the score for the less comprehensive BSC cluster is 51.13 while the score for a more comprehensive BSC cluster is 60.00 (see Table A2), where a score of 100 reflects a perfectly balanced BSC. The strategy map for a less comprehensive BSC is less advanced than the strategy map for a more comprehensive BSC ($F_{diff}=72.44$, $p<.000$). This type of a BSC appears to be an early stage managerial tool with a BSC_Development cluster score of 1.47 while for a more comprehensive BSC the cluster score is 2.68 ($F_{diff}=78.89$, $p<.000$).

Cluster 2: A more comprehensive BSC design

This cluster is described by firms that exhibit a more mature level of development ($F_{diff}=78.89$, $p<.000$) and of deployment of strategy maps ($F_{diff}=72.44$, $p<.000$) and consequently internal alignment between organizational objectives and BSC performance measures ($F_{diff}=32.72$, $p<.000$). As a strategy communication device, this design of BSC is more

oriented towards employees than top management ($F_{diff}=24.09$, $p<.000$), and it reflects a greater diversity in the use of performance measures, as suggested by a more balanced use of BSC dimensions ($F_{diff}=4.98$, $p<.03$) and via broader incentives ($F_{diff}=20.27$, $p<.000$). This more comprehensive BSC design also contains a broader number of performance measures ($F_{diff}=23.60$, $p<.000$), which are used in multiple ways to support management activities and are well integrated into the organizational routines. Furthermore, this design is conceived with greater longevity ($F_{diff}=16.72$, $p<.000$) and can be described with a higher level of complexity in integrating IT systems with the BSC ($F_{diff}=6.42$, $p<.01$)

Regression Analysis

Tables 8 and 9 report the descriptive statistics and the correlation matrix of the variables included in the regression analyses. The highest VIF across the three regression models (one for each effectiveness variables) is 1.18, and the highest condition index is 15.359, suggesting that the level of multicollinearity is fairly low.

Table 8. Descriptive Statistics

	Mean	Median	Min	Max	Theoretical range	Skew	Kurt	SD	Composite reliability
BSC_Design ^a	1.49	1.00	1	2	-	0.06	-2.04	0.50	-
ORG_Aligning	23.61	23.00	7	35	[7-35]	-0.42	0.01	6.12	0.89
ORG_Exploiting	22.68	23.00	9	35	[7-35]	-0.29	-0.48	5.83	0.84
ORG_Mobilizing	13.18	13.00	3	20	[3-21]	-0.49	-0.17	3.99	0.88
SIZE	3.02	3.02	1.23	5.19	-	0.24	0.38	0.79	-
AGE	41.58	42.00	26	60	-	0.15	-0.81	8.32	-
EXP	5.88	5.00	1	30	-	2.47	7.52	5.22	-
INDUSTRY ^b	0.31	0.00	0	1	-	0.46	0.83	-1.34	-
CHALLENGES	14.49	14.00	4	25	[4-28]	0.02	-0.60	4.61	0.78

^a Dummy variable equal to 1 for a less comprehensive BSC design, it is equal to 2 for a more comprehensive BSC design.

^b Dummy variable coded as 0 for-profit industries and 1 for non-profit sectors.

Table 9. Correlation matrix

	1	2	3	4	6	7	8	9	10
(1) BSC_Design	1								
(2) ORG_Aligning	0.55**	1							
(3) ORG_Exploiting	0.46**	0.58**	1						
(4) ORG_Mobilizing	0.46**	0.62**	0.55**	1					
(6) SIZE	0.10	0.02	0.02	0.15	1				
(7) AGE	0.07	0.11	-0.04	0.03	0.03	1			
(8) EXP	-0.03	-0.00	-0.05	-0.18	-0.29**	0.38**	1		
(9) INDUSTRY	0.18	0.07	0.16	0.08	-0.01	0.25**	0.03	1	
(10) CHALLENGES	-0.22*	-0.24*	-0.09	-0.05	0.06	-0.11	0.10	-0.11	1

* Significant at the 0.10 level; ** Significant at the 0.01 level; *** Significant at the 0.001 level (two-tailed).

We furnished empirical evidence earlier that suggests two different levels of comprehensiveness in the design of the BSC; different levels of comprehensiveness may be associated with different organizational effectiveness. Therefore, we investigate the relationship between the level of comprehensiveness of BSC design and the three types of organizational effectiveness we identified earlier via factor analysis:

$$\text{BSC Organizational Effectiveness} = \beta_0 + \beta_1 \text{SIZE} + \beta_2 \text{AGE} + \beta_3 \text{EXP} + \beta_4 \text{INDUSTRY} + \\ + \beta_5 \text{CHALLENGES} + \beta_6 \text{BSC_Design} + \varepsilon$$

Table 10 reports the results, which suggest that the level of comprehensiveness of the BSC design has a positive association with all three types of organizational effectiveness. When the ORG_Aligning variable is considered, the R^2 (0.33) and R^2_{Adj} (0.28) values indicate that the model can explain a sizable portion of the variance. After accounting for the control variables, the level of comprehensiveness in BSC design explains a statistically significant (ΔF -value=35.68) and substantive ($\Delta R^2=0.25$) portion of the variance.

The second dependent variable that was specified is ORG_Exploiting. The results were similar to the former example. The R^2 (0.23) and R^2_{Adj} (0.19) values indicate that the specified model can explain a sizable portion of the variance for this variable. After accounting for the control variables, the level of comprehensiveness in BSC design explains a statistically significant (ΔF -value=23.90) and substantive ($\Delta R^2=0.19$) portion of the variance for ORG_Exploiting.

Finally, the results for the third dimension (i.e., ORG_Mobilizing) resemble the earlier findings for the other two dimensions. The R^2 (0.24) and R^2_{Adj} (0.19) values indicate that the specified model can explain a sizable portion of the variance for this variable as well. After accounting for the control variables, the level of comprehensiveness in BSC design explains a statistically significant (ΔF -value=24.14) and substantive ($\Delta R^2=0.19$) portion of the variance for ORG_Mobilizing.

Table 10. Regression results

	BSC Organizational Effectiveness					
	ORG_Aligning		ORG_Exploiting		ORG_Mobilizing	
	β coefficient	t-value	β coefficient	t-value	β coefficient	t-value
Intercept	14.93	4.94***	17.04	5.55***	7.22	3.45**
<i>Control variables</i>						
SIZE	-0.03	-0.40	-0.02	-0.21	0.09	0.98
AGE	0.05	0.51	-0.10	-1.03	-0.00	-0.05
EXP	-0.06	-0.63	-0.03	-0.34	-0.09	-0.97
INDUSTRY	-0.04	-0.46	0.10	1.04	0.01	0.10
CHALLENGES	-0.12	-1.44	0.01	0.15	0.05	0.52
<i>Main Effects Variable</i>						
BSC_Design	0.53	5.97***	0.46	4.89***	0.46	4.91***
<i>Overall model fit</i>						
R^2	0.33		0.23		0.24	
$Adj.R^2$	0.28		0.19		0.19	
ΔF -value	35.68 ***		23.90 ***		24.14 ***	
ΔR^2	0.25		0.19		0.19	

* Significant at the 0.10 level; ** Significant at the 0.01 level; *** Significant at the 0.001 level (two-tailed).

Overall, the results suggest that a more comprehensive PMS (with BSC serving as an exemplar) leads to higher levels of organizational effectiveness. Specifically, the analysis supports the idea that the level of comprehensiveness of the BSC explains how organizations align and translate the corporate vision and strategy to everyone in the organization (ORG_Aligning, $\beta=0.53$, $p<0.001$), attain better appreciation of strategic intent and attempt to bring it to fruition (ORG_Exploiting, $\beta=0.46$, $p<0.001$), and communicate and motivate people, culminating in building consensus (ORG_Mobilizing, $\beta=0.46$, $p<0.001$).

Discussion and Conclusions

This study has examined the relationship between the level of comprehensiveness of the BSC design and the respective organizational effectiveness it may engender. Findings suggest that the organizations implementing less comprehensive BSC designs are less likely to report a positive impact on their organizational effectiveness. On the contrary, the organizations implementing BSC systems with a more comprehensive design, report positive organizational effectiveness to a greater extent in terms of aligning and translating the corporate strategy into the organization ($\beta=0.53$, $p<0.001$), exploiting cause-and-effect relationships ($\beta=0.46$, $p<0.001$), and mobilizing people ($\beta=0.46$, $p<0.001$).

Furthermore, cluster analysis (Tables 6 and 7) suggests that three design attributes do not differentiate between less and more comprehensive BSC designs. These include BSC_Nature of Performance Measures ($F=.24$, $p>0.05$), BSC_Reports Updating ($F=1.62$, $p>0.05$), and BSC_Management Support ($F=3.06$, $p>0.05$). In essence, the extent to which financial performance measures are more important than non-financial performance measures, the frequency of updating reports, and whether there is direct top management support did not materially differentiate between the two clusters. More comprehensive designs instead are described by a more mature level of development, a more intense deployment of strategy maps, internal alignment between strategic objectives and BSC performance measures, and the design of BSC is more oriented towards employees than just top management. It also reflects greater diversity in the use of performance measures, as suggested by a more balanced use of BSC dimensions and via broader incentives, and it contains a broader number of performance measures which are used in multiple ways to support management activities and are well integrated into the organizational routines. Finally, it is conceived with greater longevity, and it can be described with a higher level of complexity in integrating IT systems with the BSC.

The failure to design and implement a more comprehensive BSC can be consequential. A less comprehensive BSC, for instance, may undermine strategic performance for those organizations that are not clearly visualizing the links between the BSC perspectives through

cause-and-effect diagrams (i.e., the strategy maps). A less comprehensive BSC design may also compromise the choice of adequate measures to promote understanding and learning of the employees who are intended to be the most valuable resources in modern organizations. As a matter of fact, implementing less comprehensive systems means adopting less balanced measures selected primarily for financial purposes.

This inquiry supports claims that no single or uniform BSC design exists, as the descriptive statistics manifest significant variation (Table A2). Findings suggest that the notion of BSC remains open to various interpretations and applications and that many organizations which claim to use a comprehensive BSC design are instead adopting only a limited or incomplete design version of it. However, this choice is not costless as the organizational effectiveness of the BSC depends on the level of its comprehensiveness. The implementation of a comprehensive PMS is a complex task that requires continual efforts and adjustments. Furthermore, a comprehensive BSC design may have, in the long run, the potential to enhance the overall organizational strategic performance when considering the economic and the commercial aspects. Improved cost efficiency (Chenhall, 2005), enhanced shareholder returns (Crabtree and DeBusk, 2008), and intensified market orientation (Braam and Nijssen, 2004) can be cited as notable examples in this regard.

The paper extends previous PM literature on performance management in two ways. First, it introduces a theoretical model (Figure 1) for a comprehensive BSC design by identifying 12 design attributes and testing and validating them using a cluster analysis methodology with the objective of forming homogeneous groups which are as distinct across one another as possible. That furnished a methodology for developing taxonomies with managerial relevance. Second, the analyses allow us to respond to our research question whether a more comprehensive BSC design enhances organizational effectiveness. The results suggest that adopting a comprehensive BSC model will culminate in an improved capability of aligning and translating the corporate strategy throughout the organization, of exploiting cause-and-effect relationships, and of mobilizing people and organizational action.

The findings here have numerous implications for the theory and practice of operations management. The deployment of a BSC offers an opportunity for operations management to have its voice heard and issues that materially affect organizational performance be addressed. The operations management leadership needs to participate in the deliberations regarding the level of BSC that is to be pursued and whether this is an endeavor for the long term. Would it be implemented more at the rudimentary level or a more holistic level? A more holistic level demands more work because it makes strategy everyone's never-ending job. The desired longevity will also have significant implications regarding the resources needed to implement the respective BSC level. The leadership will also need to be concerned with identifying fitting performance measures for operations management that are aligned

with organizational objectives. These performance measures need to be salient but yet practical and not awfully taxing on the time of employees who contribute towards PM and not cumbersome for the IT systems that are tasked with PM. Holding people accountable for performance measures for which they do not have control and taxing individuals with the burdensome task of collecting excessive amounts of performance data, which may never be used, will not bode well with employees, damping their motivation and excitement with the implementation and use of a BSC. For example, monitoring quality via quality control charts only to file those charts without materially using them would be wasteful and would demotivate people on the front lines. Along those lines, the leadership in operations management needs to consider the types of incentives that are to be offered to operations managers in order to steer organizational action towards the intended strategic goals. These incentives have to be well thought-out in order to avoid gaming by the managers who may act opportunistically. The leadership may consider incentives which are more rounded and rely on both team and individual performance as well as rely on financial and non-financial performance metrics. It is imperative that the operations leadership works with its counterparts in other parts of the organization in order to assure that strategic goals are pursued in harmony; operational performance should not counter sales performance, for instance. The performance measures that are deployed along with the specific incentives that are offered communicate necessarily what matters to the leadership and the organization at large. Is there a balance across the BSC dimensions when one examines the performance measures and the incentives related to operations management? The operations leadership needs to also use the strategy map to demonstrate the cause and effect relations between operational aspects and customer processes. For example, if the organization desires to increase market share, a reduction in throughput time, lead time, or the percent of defective units can improve productivity, cost, and quality with subsequent cascading positive effects on customer satisfaction, word-of-mouth, loyalty and ultimately market share. Articulating these links to upper management and shop-floor employees alike demonstrates the importance of operations management and helps in issue selling (Dutton *et al.*, 2001) when resources need to be mobilized towards improving operations.

This suggests however that the operations leadership will need to work with respective employees to articulate specific performance measures which will be embedded within the BSC. What would the assortment look like in terms of type and number? Would it be a blend of financial (such as ROA, or inventory turns) and non-financial (such as responsiveness) measures? How many of each? For example, delivery performance can be measured via numerous metrics (Beamon, 1999, p. 283): “(1) Product lateness. Delivery date minus due date, (2) Average lateness of orders. Aggregate lateness divided by the number of orders, (3) Average earliness of orders. Aggregate earliness divided by the number of orders, and (4)

Percent on- time deliveries. Percent of orders delivered on or before the due date”. Should the operations leadership come up with a single or aggregate measure of delivery performance for the purposes of a BSC? This is an empirical question and future research can address such issues.

Finally, it seems appropriate to recognize that this study presents some limitations. Firstly, given the response rate is below 50%, the survey per se should be viewed with some caution (Van der Stede *et al.*, 2005). This research represents a first step investigating the relationship between BSC design and organizational effectiveness. Therefore, further research is needed to understand and explain this relationship in more depth. Moreover, the research design is based on a cross-sectional study where data is collected at one point in time. A longitudinal perspective would be useful to identify causal mechanisms (lag effects) and to examine consequences of a more comprehensive BSC design over a more extended period. Secondly, the views of managers affected by BSC benefits may be susceptible to bias. Cook and Campbell (1979) have pointed out that people tend to report what they believe the researcher expects to see, or report what reflects positively on their abilities, knowledge, beliefs, and opinions. Respondents personally involved in the BSC project may have a positive attitude towards BSC. They are often the champions of the BSC adoption. Thus, it may be problematic to obtain critical comments from these managers. They are more likely to exhibit an ownership bias, especially if they are the primary BSC sponsors. In addition, management and the employees may see PM from different perspectives, which should be considered when designing, implementing and using a PMS (Ukko *et al.*, 2007). Thirdly, we acknowledge that the methodology of self-reported data often casts doubt especially when managers rate organizational effectiveness or performance. This may provoke biases and measurement errors due to common method bias. However, we tried to overcome issues of common source bias by following the advice of Huber and Power (1985) to focus on people who possess the direct knowledge and hold respective organizational positions. The vast majority of the respondents to the survey was represented by upper or middle managers who were likely to have a solid overview of PMS because of their involvement in performance reviews and planning processes. Moreover, we have tried to address the potential problem of common method variance attributed to the single-respondent approach both ex-ante in the design of the survey instrument by protecting the respondent’s anonymity and ex-post by examining the correlation matrix (Table 9). Barring the correlation between our dependent variables, which are expected to be high, the highest correlation is 0.55, which is below the recommended threshold of the suggested 0.80 value (Bagozzi *et al.*, 1991). Moreover, Harman’s one-factor test was conducted on the full survey data to address common method variance bias concerns. Using principal component analysis as the extraction method, all latent factor measures we forced to load under one constrained factor. The single factor that emerged explained

significantly less than 50 percent of the variance (34.75%). Thus, common method bias does not threaten the validity of the findings.

Future research should provide answers to some interesting research questions related to the strategic consequences generated by a more (or less) comprehensive BSC, an aspect which remains somewhat controversial. As noted by Malmi (2001), the performance consequences of BSC are expected to vary depending on how the BSC is designed and implemented. This implies that it may be interesting to investigate further how the design attributes are employed during the implementation and development levels of the BSC, which would add a new insight in the investigation of the performance consequences of more (or less) comprehensive BSC design.

References

- Ahn, H. (2001), "Applying the balanced scorecard concept: an experience report", *Long Range Planning*, Vol. 34 No. 4, pp. 441-461.
- Armstrong, J.S. and Overton, T.S. (1977), "Estimating non-response bias in mail surveys", *Journal of Marketing Research*, Vol. 14 No. 3, pp. 396-402.
- Bagozzi, R.P., Yi, Y. and Phillips, L.W. (1991), "Assessing construct validity in organizational research", *Administrative Science Quarterly*, Vol. 36 No. 3, pp. 421-458.
- Beamon, B.M. (1999), "Measuring supply chain performance," *International Journal of Operations & Production Management*, Vol. 19 No. 3, pp. 275-292.
- Bentes, A.V., Carneiro, J., da Silva, J.F. and Kimura, H. (2012), "Multidimensional assessment of organizational performance: Integrating BSC and AHP", *Journal of Business Research*, Vol. 65 No. 12, pp. 1790-1799.
- Bititci, U.S., Mendibil, K., Nudurupati, S., Garengo, P. and Turner, T. (2006), "Dynamics of performance measurement and organisational culture", *International Journal of Operations & Production Management*, Vol. 26 No. 12, pp. 1325-50.
- Bititci, U.S., Garengo, P., Ates, A. and Nudurupati, S. (2015), "Value of maturity models in performance measurement", *International Journal of Production Research*, Vol. 53 No. 10, pp. 3062-3085.
- Bourne, M., Mills, J., Wilcox, M. and Neely, A. (2000), "Designing, implementing and updating performance measurement systems", *International Journal of Operations & Production Management*, Vol. 20 No. 7, pp. 754-771.
- Bourne, M., Neely, A., Platts, K. and Mills, J. (2002), "The success and failure of performance measurement initiatives", *International Journal of Operations & Production Management*, Vol. 22 No. 11, pp. 1288-310.
- Braam, G.J. and Nijssen, E.J. (2004), "Performance Effects of Using the Balanced Scorecard: a Note on the Dutch Experience", *Long Range Planning*, Vol. 37 No. 49, pp. 335-349.
- Bryant, L., Jones, D.A., and Widener, S.K. (2004), "Managing value creation within the firm: An examination of multiple performance measures", *Journal of Management Accounting Research*, Vol. 16 No. 1, pp. 107-131.
- Brusco, M.J., Singh, R., Cradit, J.D. and Steinley, D. (2017), "Cluster analysis in empirical OM research: survey and recommendations", *International Journal of Operations & Production Management*, Vol. 37 No. 3, pp. 300-320.
- Cao, Y., Zhao, K., Yang, J. and Xiong, W. (2015), "Constructing the integrated strategic performance indicator system for manufacturing companies", *International Journal of*

- Production Research*, Vol. 53 No. 13, pp. 4102-4116.
- Chalmeta, R. and Palomero, S. (2011), "Methodological proposal for business sustainability management by means of the Balanced Scorecard", *Journal of the Operational Research Society*, Vol. 62 No. 7, pp. 1344-1356.
- Chenhall, R.H. (2005), "Integrative Strategic Performance Measurement Systems, Strategic Alignment of Manufacturing, Learning and Strategic Outcomes: an Exploratory Study", *Accounting Organizations and Society*, Vol. 30 No. 5, pp. 395-422.
- Cohen, J. (1988), *Statistical power analysis for the behavioral sciences*, 2nd Edition.
- Cook, T.D. and Campbell, D.T. (1979), *Quasi-experimentation: Design and analysis issues*, Houghton Mifflin Company, Boston.
- Crabtree, A.D. and DeBusk, G.K. (2008), "The effects of adopting the balanced scorecard on shareholder returns", *Advances in Accounting*, Vol. 24 No. 1, pp. 8-15.
- Davis, S. and Albright, T. (2004), "An investigation of the effect of balanced scorecard implementation on financial performance", *Management Accounting Research*, Vol. 15 No. 2, pp. 135-153.
- Decoene, V. and Bruggeman, W. (2006), "Strategic alignment and middle-level managers' motivation in a balanced scorecard setting", *International Journal of Operations & Production Management*, Vol. 26 No. 3/4, pp. 429-448.
- De Geuser, F., Mooraj, S. and Oyon, D. (2009), "Does the Balanced Scorecard Add Value? Empirical Evidence on Its Effect on Performance", *European Accounting Review*, Vol. 18 No. 1, pp. 93-122.
- de Leeuw, S. and van den Berg, J.P. (2011), "Improving Operational Performance by Influencing Shopfloor Behavior via Performance Management Practices", *Journal of Operations Management*, Vol. 29 No. 3, pp. 224-235.
- de Waal, A., Kourtit, K. and Nijkamp, P. (2009), "The relationship between the level of completeness of a strategic performance management system and perceived advantages and disadvantages", *International Journal of Operations & Production Management*, Vol. 29 No. 12, pp. 1242-1265.
- Dutton, J.E., Ashford, S.J., O'Neill, R.M. and Lawrence, K.A. (2001), "Moves that matter: Issue selling and organizational change", *Academy of Management Journal*, Vol. 44 No. 4, pp. 716-736.
- Epstein, M.J. and Manzoni, J.F. (1998), "Implementing Corporate Strategy: From Tableaux De Bord To Balanced Scorecards", *European Management Journal*, Vol. 16 No. 2, pp. 190-213.
- Franco-Santos, M., Lucianetti, L. and Bourne, M. (2012), "Contemporary performance measurement systems: a review of their consequences and a framework for research", *Management Accounting Research*, Vol. 23 No. 2, pp. 79-119.
- Gutierrez, D.M., Scavarda, L.F., Fiorencio, L. and Martins, R.A. (2015), "Evolution of the performance measurement system in the Logistics Department of a broadcasting company: An action research", *International Journal of Production Economics*, Vol. 160, pp. 1-12.
- Hall, M. (2008), "The effect of comprehensive performance measurement systems on role clarity, psychological empowerment and managerial performance", *Accounting Organizations and Society*, Vol. 33 No. 2/3, pp. 141-163.
- Henri, J.F. (2010), "The Periodic Review of Performance Indicators: An Empirical Investigation of the Dynamism of Performance Measurement Systems", *European Accounting Review*, Vol. 19 No. 1, pp. 73-96.
- Hoque, Z. and James, W. (2000), "Linking balanced scorecard measures to size and market factors: impact on organizational performance", *Journal of Management Accounting Research*, Vol. 12, pp. 1-17.
- Hotho, J.J. (2014), "From typology to taxonomy: A configurational analysis of national business systems and their explanatory power", *Organization Studies*, Vol. 35 No. 5, pp. 671-702.

- Hu, B., Leopold-Wildburger, U. and Strohhecker, J. (2017), "Strategy map concepts in a balanced scorecard cockpit improve performance", *European Journal of Operational Research*, Vol. 258 No. 2, pp. 664-676.
- Huber, G. and Power, D.J. (1985), "Retrospective Reports of Strategic-Level Managers: Guidelines for Increasing Their Accuracy", *Strategic Management Journal*, Vol. 6 No. 2, pp. 171-180.
- Ittner, C.D., Larcker, D.F. and Meyer, M.W. (2003a), "Subjectivity and the weighting of performance measures: evidence from a balanced scorecard", *The Accounting Review*, Vol. 78 No. 3, pp. 725-758.
- Ittner, C.D., Larcker, D.F. and Randall, R. (2003b), "Performance Implications of Strategic Performance Measurement in Financial Services Firms", *Accounting, Organizations and Society*, Vol. 28 No. 7/8, pp. 715-741.
- Jääskeläinen, A., Laihonen, H. and Lönnqvist, A. (2014), "Distinctive features of service performance measurement", *International Journal of Operations & Production Management*, Vol. 34 No. 12, pp.1466-1486.
- Jensen, M. (2001), "Value maximizations, shareholder theory, and the corporate objective function", *European Financial Management*, Vol. 7 No. 3, pp. 297-317.
- Johanson, U., Skoog, M., Backlund, A. and Almqvist, R. (2006), "Balancing Dilemmas of the Balanced Scorecard", *Accounting, Auditing and Accountability Journal*, Vol. 19 No. 6, pp. 842-857.
- Kaplan, R.S. and Norton, D.P. (2006), "How to implement a new strategy without disrupting your organization", *Harvard Business Review*, Vol. 84, pp. 100-109.
- Kaplan, R.S. and Norton, D.P. (2001), *The Strategy-Focused Organization – How Balanced Scorecard Companies Thrive in the New Business Environment*, Harvard Business School Press, Boston, MA.
- Kaplan, R.S. and Norton, D.P. (1996), *The Balanced Scorecard – Translating Strategy into Action*, Harvard Business School Press, Boston, MA.
- Kaplan, R.S. and Norton, D.P. (1992), "The balanced scorecard – measures that drive performance", *Harvard Business Review*, Vol. 70 No. 1, pp. 71-79.
- Kennerley, M. and Neely, A. (2002), "A framework of the factors affecting the evolution of performance measurement systems", *International Journal of Operations & Production Management*, Vol. 22 No. 11, pp. 1222-1245.
- Kim, J. and Rhee, J. (2012), "An empirical study on the impact of critical success factors on the balanced scorecard performance in Korean green supply chain management enterprises", *International Journal of Production Research*, Vol. 50 No. 9, pp. 2465-2483.
- Kolehmainen, K. (2010), "Dynamic strategic performance measurement systems: balancing empowerment and alignment", *Long Range Planning*, Vol. 43 No. 4, pp. 527-554.
- Koufteros, X.A., Vergheze, A.J. and Lucianetti, L. (2014), "The Effect of Performance Measurement Systems on Firm Performance: A Cross-Sectional And A Longitudinal Study", *Journal of Operations Management*, Vol. 32 No. 6, pp 313-336.
- Laihonen, H. and Pekkola, S. (2016), "Impacts of using a performance measurement system in supply chain management: a case study", *International Journal of Production Research*, Vol. 54 No. 18, pp. 5607-5617.
- Leung, L.C., Lam, K.C. and Cao, D. (2006), "Implementing the balanced scorecard using the analytic hierarchy process & the analytic network process", *Journal of the Operational Research Society*, Vol. 57 No. 6, pp. 682-691.
- Liang, Y.H. (2015), "Performance measurement of interorganizational information systems in the supply chain", *International Journal of Production Research*, Vol. 53 No. 18, pp. 5484-5499.
- Libby, T., Salterio, S. and Webb, A. (2004), "The balanced scorecard: the effects of assurance and process accountability on managerial judgment", *The Accounting Review*, Vol. 79 No. 4, pp. 1075-1094.

- Llach, J., Bagur, L., Perramon, J. and Marimon, F. (2017), "Creating value through the balanced scorecard: how does it work?", *Management Decision*, Vol. 55 No. 10, pp. 2181-2199.
- López-Ospina, H., Quezada, L.E., Barros-Castro, R.A., Gonzalez, M.A. and Palominos, P.I. (2017), "A method for designing strategy maps using DEMATEL and linear programming", *Management Decision*, Vol. 55 No. 8, pp. 1802-1823.
- Maestrini, V., Luzzini, D., Caniato, F., Maccarrone, P. and Ronchi, S. (2018a), "The impact of supplier performance measurement systems on supplier performance: A dyadic lifecycle perspective", *International Journal of Operations & Production Management*, <https://doi.org/10.1108/IJOPM-10-2016-0589>.
- Maestrini, V., Martinez, V., Neely, A., Luzzini, D., Caniato, F. and Maccarrone, P. (2018b), "The relationship regulator: a buyer-supplier collaborative performance measurement system", *International Journal of Operations & Production Management*, <https://doi.org/10.1108/IJOPM-10-2016-0595>.
- Malmi, T. (2001), "Balanced scorecards in Finnish companies: a research note", *Management Accounting Research*, Vol. 12 No. 2, pp. 207-220.
- Melnyk, S.A., Stewart, D.M. and Swink, M. (2004), "Metrics and performance measurement in operations management: dealing with the metrics maze", *Journal of Operations Management*, Vol. 22 No. 3, pp. 209-218.
- Micheli, P. and Mura, M. (2017), "Executing strategy through comprehensive performance measurement systems", *International Journal of Operations & Production Management*, Vol. 37 No. 4, pp. 423-443.
- Neely, A., Gregory M. and Platts, K. (1995), "Performance measurement system design. A literature review and research agenda", *International Journal of Operations & Production Management*, Vol. 15 No. 4, pp. 80-116.
- Nielsen, S. and Nielsen, E.H. (2012), "Discussing feedback system thinking in relation to scenario evaluation in a balanced scorecard setup", *Production Planning & Control*, Vol. 23 No. 6, pp. 436-451.
- Pekkola, S. and Ukko, J. (2016), "Designing a performance measurement system for collaborative network", *International Journal of Operations & Production Management*, Vol. 36 No. 11, pp.1410-1434.
- Pellinen, J., Teittinen, H. and Järvenpää, M. (2016), "Performance measurement system in the situation of simultaneous vertical and horizontal integration", *International Journal of Operations & Production Management*, Vol. 36 No. 10, pp.1182-1200.
- Papalexandris, A., Ioannou, G. and Prastacos, G.P. (2004), "Implementing the balanced scorecard in Greece: a software firm's experience", *Long Range Planning*, Vol. 37 No. 4, pp. 347-62.
- Rajesh, R., Pugazhendhi, S., Ganesh, K., Ducq, Y. and Koh, S.L. (2012), "Generic balanced scorecard framework for third party logistics service provider", *International Journal of Production Economics*, Vol. 140 No. 1, pp. 269-282.
- Smith, M. and Bititci, U.S. (2017), "Interplay between performance measurement and management, employee engagement and performance", *International Journal of Operations & Production Management*, Vol. 37 No. 9, pp. 1207-1228.
- Speckbacher, G., Bischof, J. and Pfeiffer, T. (2003), "A descriptive analysis of the implementation of balanced scorecard in German-speaking countries", *Management Accounting Research*, Vol. 14 No. 4, pp. 361-387.
- Tung, A., Baird, K. and Schoch, H.P. (2011), "Factors influencing the effectiveness of performance measurement systems", *International Journal of Operations & Production Management*, Vol. 31 No. 12, pp. 1287-1310.
- Ukko, J., Tenhunen, J. and Rantanen, H. (2007), "Performance Measurement Impacts on Management and Leadership: Perspectives of Management and Employees", *International Journal of Production Economics*, Vol. 110 No. 1/2, pp. 39-51.
- Upadhaya, B., Munir, R. and Blount, Y. (2014), "Association between performance measurement systems and organisational effectiveness", *International Journal of Operations & Production Management*, Vol. 34 No. 7, pp. 853-875.

- Van der Stede, W.A., Young, S.M. and Chen, C.X. (2005), "Assessing the quality of evidence in empirical management accounting research: The case of survey studies", *Accounting, organizations and society*, Vol. 30 No. 7/8, pp. 655-684.
- Van der Stede, W.A., Chow, C.W. and Lin, T.W. (2006), "Strategy, choice of performance measures, and performance", *Behavioral Research in Accounting*, Vol. 18 No. 1, pp. 185-205.
- Wiersma, E. (2009), "For which purposes do managers use balanced scorecards? An empirical study", *Management Accounting Research*, Vol. 20 No. 4, pp. 239-251.

Appendix A – Cluster Analysis

Table A1. Operationalization of Measures Comprehensive BSC Design Attributes

<i>Level of BSC development (BSC_Development)</i>	<p>Managers were asked to choose only one among three different statements related to the BSC development Speckbaker <i>et al.</i> (2003). A Level III BSC denotes a more comprehensive BSC design as it is the most inclusive.</p> <p>Level I BSC: a specific multidimensional framework for strategic performance measurement that combines financial and non-financial strategic measures.</p> <p>Level II BSC: builds on Level I BSC but additionally describes strategy by using cause-and-effect relationships.</p> <p>Level III BSC: a Level II BSC that also implements the strategy by defining objectives, action plans, results and connecting incentives with BSC.</p>
<i>Embedding a Strategy Map (BSC_Strategy Map)</i>	<p>Respondents had to report whether their respective company or business unit was employing a strategy map in association with the BSC framework. The strategy map describes, in a visual form, the one-way chains of cause-and-effect by linking the learning and growth perspectives (employee actions) to the financial perspective (outcomes for shareholders) via the internal efficiency and the customer dimensions. Adopting a strategy map implies a more comprehensive BSC design.</p>
<i>Level of Communication of Corporate Strategies (BSC_Strategies Communication)</i>	<p>The survey asked respondents to indicate the level at which the BSC aimed to communicate the strategy: (1) top management, (2) middle management, and (3) employee level. A high score on this variable suggests a use of BSC to communicate corporate strategies to even the lowest level employees in an organization and thus represents a more comprehensive design.</p>
<i>Level of Alignment between Organizational Objectives and BSC Performance Measures (BSC_Internal Alignment)</i>	<p>A survey item asked participants to specify the degree of internal alignment between the strategic objectives of the company and the performance measures included in the BSC using a scale from 1 (low) to 7 (high) where a higher score reflects a higher level of alignment and thus connotes a more comprehensive BSC design.</p>
<i>Relationship between Performance Measures and Managerial Incentives embedded in the BSC (BSC_Management Incentives)</i>	<p>Participants were asked to indicate, using a scale from 1 (completely disagree) to 7 (completely agree), the level of agreement/disagreement on five statements: (1) in the BSC, the incentive schemes rely on team performance; (2) in the BSC, the incentive schemes rely on non-financial performance measures; (3) in the organization, the incentive schemes rely on the BSC system; (4) in the BSC, the incentive schemes rely on financial performance measures; and (5) in the BSC, the incentive schemes rely on individual performance. Collectively, higher scores imply a more comprehensive BSC design where a multitude of incentives are deployed instead of relying merely on a few select performance measures (typically, financial)</p>

<i>Level of Balance of BSC Dimensions (BSC_Balanced Dimensions)</i>	<p>Respondents were asked to distribute 100 points between the dimensions of the BSC (i.e., learning and growth, internal processes, customers, and financial). To examine whether industry-specific factors may be salient, the survey provided respondents with the opportunity to specify two additional components beyond the classical four. The weighted dimensions were then rolled into a single index while considering a basic premise of the balancing approach that advocates that good performance in all areas is desired. To operationalize the concept of Balanced Dimensions (BSC_BMS), the formula developed by Braam and Nijssen (2004) was used:</p> $BSC_BMS = 100 - \sum_{i=1}^n (Weight_i - 100/n);$ <p>Where: <i>n</i> is equal to the number of components used in the BSC by an organization and <i>Weight_i</i> is equal to the weight of the <i>i</i>-dimension. However, for those organizations using up to six dimensions, the BSC_BMS formula is weighted by multiplying the result with the following factor: $(6 - n) \times (100/n)$. A high score (e.g., 100) reflects a situation where all four aspects are equally taken into account suggesting comprehensive measurement, whereas a low score (e.g., 0) indicates an extremely unbalanced use with 100 percent focus on a single dimension.¹</p>
<i>Number of Performance Measures Used with the BSC (BSC_Number of Performance Measures)</i>	<p>Respondents reported the total number of performance measures used within the realm of BSC. A higher number reflects a more comprehensive treatment as the organization is more inclusive in its attempt to display a more holistic picture regarding performance.</p>
<i>Nature of Performance Measures Used with the BSC (BSC_Nature of Performance Measures)</i>	<p>The respondents indicated (on a 7-point scale, 1=completely disagree, 7=completely agree) the extent to which financial performance measures are more important than non-financial performance measures. A high value of this variable indicates a focus on financial performance measures and thus a less comprehensive BSC design.</p>
<i>Frequency of Updating BSC Reports (BSC_Reports Updating)</i>	<p>Two measures were deployed and were rated based on a 7-point scale (1=every year; 2=every six months; 3=every three months; 4=every month; 5=every fifteen days; 6=every week; 7=every day): (1) the extent to which the BSC was periodically updated by BSC managers, (2) the extent to which BSC managers regularly discussed the BSC. Both items Higher scores imply a more intense and frequent updating process, reflecting a more comprehensive BSC design.</p>
<i>BSC Longevity (BSC_Longevity)</i>	<p>Respondents indicated on a 7-point scale the length of time the BSC was implemented in their respective organization (1=one year; 2=two years; 3=three years; 4= four years; 5=five years; 6=six years; 7=more than six years). A high value on this variable denotes more years of BSC implementation and a more mature and comprehensive design.</p>
<i>Level of Top Management Support (BSC_Management Support)</i>	<p>The level of top management support was measured by asking managers to indicate whether they considered that top management support was crucial for the BSC effectiveness in their organization, using a scale from 1 (completely disagree that top management was crucial) to 7 (completely agree that top management was crucial). Top management involvement is crucial when the design is more comprehensive and complex, necessitating that the top management uses its organizational clout to effectuate organizational changes and channel requisite tangible and intangible resources.</p>
<i>Level of Integration Complexity between the BSC and Information Systems (BSC_IT Integration)</i>	<p>The respondents indicated (on a 7-point scale) the extent to which the integration between the BSC and information systems was complex (1=completely disagree that the integration between BSC and information systems was complex; 7=completely agree that the integration between BSC and information systems was complex). A more comprehensive design implies that more connections need to be drawn, creating a more challenging environment to link the BSC and information systems.</p>

Table A2. Descriptive statistics - BSC attributes

		Mean	Median	Min	Max	Theoretical range	SD
1.	BSC_Development	2.06	2.00	1	3	[1-3]	0.92
2.	BSC_Strategy Map ^a	0.64	1.00	0	1	[0-1]	0.48
3.	BSC_Strategies Communication	2.07	2.00	1	3	[1-3]	0.78
4.	BSC_Internal Alignment	5.05	5.00	2	7	[1-7]	1.09
5.	BSC_Management Incentives	3.95	4.00	1	7	[1-7]	1.38
6.	BSC_Balanced Dimensions	51.13	60.00	0	100	[0-100]	37.52

¹ The maximum score of BSC_BMS variable reflects a situation where all BSC dimensions (n) are equally taken into accounting (score = 100), all having the same weight. That suggests a perfectly balanced measurement system (e.g., n=4, weight = 25% → score = 100). Instead the lowest score denotes an extremely unbalanced use with 100 percent focus on a single dimension (e.g., n = 1, weight 100% → score = 0). A medium value is 50 (e.g., n = 4, weight₁ = 50%, weight₂ = 20%, weight₃ = 10%, weight₄ = 20%).

7.	BSC_Number of Performance Measures ^b	4.85	5.00	1	7	[1-7]	2.12
8.	BSC_Nature of Performance Measures	3.42	3.00	1	7	[1-7]	1.67
9.	BSC_Reports Updating	3.25	3.00	1	7	[1-7]	1.06
10.	BSC_Longevity ^c	3.39	3.00	1	7	[1-7]	1.95
11.	BSC_Management Support	6.03	6.00	2	7	[1-7]	1.20
12.	BSC_IT Integration	4.33	5.00	1	7	[1-7]	1.72

^a The variable has been coded as follows: 0 = not implementing a strategy map; 1 = implementing a strategy map.

^b The variable has been coded as follows: 1 [< 9 measures], 2 [10-12 measures], 3 [13-16 measures], 4 [17-20 measures], 5 [21-23 measures], 6 [24-25 measures], 7 [> 25 measures].

^c The variable has been coded as follows: 1 [1 year], 2 [2 years], 3 [3 years], 4 [4 years], 5 [5 years], 6 [6 years], 7 [>6 years].