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Balanced Scorecard as a strategic alignment tool for employees

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Resumo

A tese em questão tenta entender de que forma é que a utilização de uma ferramenta de gestão estratégica, mais concretamente o Balance Scorecard, permite alinhar os objetivos estratégicos da empresa com os colaboradores da empresa.

Dada a importância que o trabalhador tem vindo a receber ao longo dos anos, demonstrando o seu valor, é importante, então perceber de que maneira é que a sua integração possa ser essencial. É preciso entender se existe algum tipo de ação sobre a concretização de objetivos estipulados, sejam eles incentivos, financeiros ou não-financeiras, sobre o cumprimento da mesma.

Optou-se por adotar uma perspetiva metodológica qualitativa, recorrendo ao estudo de caso, onde, através de uma entrevista conduzida a um membro do conselho de direção da Corticeira e a um colaborador da empresa foi possível verificar certos aspetos sobre a questão de investigação, no qual também existiu a integração dos relatórios consolidados da empresa, tal como o relatório de sustentabilidade.

Durante a entrevista foi possível entender de que forma é que a ferramenta foi implementada na empresa e nas respetivas operações para entender se existe, numa fase inicial, uma aplicação correta da mesma; perceber de que forma é que a empresa conseguiu formar o alinhamento entre os objetivos estratégicos e os seus colaboradores; e por fim verificar se todos os trabalhadores são recompensados face ao cumprimento de objetivos estabelecidos.

Os resultados indicam que a empresa consegue efetivamente realizar a sua integração de objetivos com os colaboradores, mas os incentivos ligados aos objetivos estratégicos da empresa não estão conectados com todos os trabalhadores. Apenas as chefias obtêm uma recompensa “direta” sobre os objetivos definidos pela ferramenta do Balanced Scorecard.

Palavras-chave: Balanced Scorecard; alinhamento estratégico; incentivos

Palavras: 14198

Abstract

The thesis in question tries to understand how the use of a strategic management tool, more specifically the Balance Scorecard, allows aligning the company's strategic objectives with the company's employees.

Given the importance that the worker has received over the years, it is important to understand how their integration can be essential. It is necessary to understand if there is any type of action on the achievement of stipulated objectives, whether financial or non-financial incentives, on the fulfillment of the same.

We chose to adopt a qualitative methodological perspective, using the case study, where, through an interview conducted with a member of the board of directors of Corticeira Amorim and an employee, it was possible to clarify certain aspects on the research question, taking into account as well the sustainability report and the consolidated accounts from the company.

During the interview, it was possible to understand how the tool was implemented in the company and in the respective operations in order to understand if there is, at an initial stage, a correct application of the tool; understand how the company managed to form the alignment between the strategic objectives and its employees; and finally, verifying whether all workers are rewarded for meeting established goals.

The results indicate that the company is able to effectively carry out its integration of objectives with employees, but the incentives linked to the company's strategic objectives are not connected with all employees. Only managers get a “direct” reward on the objectives set by the Balanced Scorecard tool.

Keywords: Balanced Scorecard; strategic alignment; incentives

Words: 14198

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Abbreviation table

BSC- Balanced Scorecard

SAP- Systems Applications and Products

Introduction

Nowadays, business success is due to several factors that the company presents such as the objectives it defines, how the company intends to achieve them, the best way to have control over them and analyze its progress. These actions are possible through strategic alignment, that is, all those involved in the business are looking for the same goals and are motivated to achieve them.

This is only possible with the help of the Human Resources that a company has.

Hence, it is important to have communication at all organizational levels and, above all, to use your employees to obtain alignment, reflecting the company's strategy. This allows companies to maximize their potential and plays a crucial role in their success.

This dissertation tries to understand to what extent, through a strategic management model, the Balanced Scorecard, can contribute to the collaborators´ alignment with the organization´s strategic objectives. And how do firms reward their employees through the incentives they provide.

The structure of the work is divided into three chapters.

The first chapter talks about the literature review talking about human resources as a strategic resource, such as the balanced scorecard and with that to verify the importance of the alignment of both. Along with some examples of balanced Scorecard implementation.

The second chapter is about the methodology and characterization of the company in question, as well as the results of the case analysis.

Finally, in the third chapter we have the conclusion on the discussed topic.

Chapter 1
Literature Review

1. Human Resources

1.1 Strategic Management of Human Resources

Chiavento (2014) affirms that change is something that has always been present in mankind, the world is gradually changing at a significant rate as each day passes by, everything from economical, technological, political or even cultural aspects change. Therefore, it is inevitable that what occurs outside of an organization is bound to change what happens inside one. It is critical to imagine the external environment in order to change each organization´s action and direction for the future, since it can be vastly different from the current overview. Human Resources is one of the business sectors that is changing the most in this scenario, some of those changes apply to the name of the area, being the term "Human resources administration" being supplanted with "people management". The same can be said to employees and the way they are seen and managed differently today.

Telles and Assis (2009) mention that, a few decades ago, the linkage between employee and company was addressed as Industrial Relationship and it reflected the intimidating and oppressive manner in which firms handled their workers. Only later, as employees were seen as a step to organizational development, were enterprises considering workers relevant, becoming known as Human Resources.

Even so, companies handle employees in one of two ways, as resources or as partners of the organization. On one hand, employees are seen as productive resources of organizations, because they are regarded as passive subjects of organizational activity, they are considered standard and uniform resources that must be managed, which involves planning, organizing, directing, and controlling operations. On the other hand, as mentioned, as times evolve, the scope of Human Management perceives to be enlarged and be approached through a different view, meaning individuals are seen as partners in the organizations. Workers provide knowledge, skill and abilities which are valued for their contribution to the company's goals (Chiavento, 2014:3).

Cunha *et al.* (2015:73) use the comparison between the premise of two human resource management models, hard and soft, to characterize the origin of different management practices. The first view is characterized on people that are lazy and display an inherent dislike for work, therefore it is important to monitor them in order for them to work properly. They are managed and handled objectively and rationally. In the second perspective, people are proactive and capable of practicing self-control in the pursuit of the job goals to which they are dedicated, meaningful jobs are an aspiration they look for in the remainder of their lives.

Workers are valued by their skills, abilities and experience and are acknowledged as being part of a companies´ success and performance and moreover provide a "source of competitive advantage". Even more so, that strategic approaches are considered, through the usage of employees to help the interests of the employing company and help have a substantial contribution to organizational success. (Armstrong, 2008).

Wood and Picarelli (2004) provide the same insight, where employees shouldn´t be characterized as mere resources, and instead be looked at as valuable assets held accountable for the development of a business in organizations, reinforcing the importance of human resource management being aligned with corporate objectives in order to keep a worker motivated and have a reason to work and perform.

Alignment can be accomplished by clearly defining the organization´s goals, accompanied by the implementation of reward, mechanisms capable of promoting the achievements of the objectives. For example, if the organizations' primary goal is to provide high-quality care, quality of service must be rewarded. It should be added that the compensation policies can be strategically important as tools for choosing people who have qualities that are best aligned with the firm´s plan (Cunha et al., 2015).

Armstrong (2008:11) states that "the human elements of the organization are those that are capable of learning, changing, innovating and providing the creative thrust which if properly motivated can ensure the long- term survival of the organization".

The value of Human Resources Management is universal amongst the authors (Wood and Picarelli 2004, Armstrong 2008, Cunha et al. 2015 and Chiavento, 2014), as it is an important tool for organizational strategy, since it is the workers, as well as all of their expertise, experiences and skills, that comprise and contribute to organizational competitiveness.

Finally, in order to have a creative and motivated employee, the firm needs to provide an incentive system in return to those reassuring the functioning of a corporation and to maintain the compliance of the objectives. Therefore, companies need to be aware of how to manage their Human Resources properly. Motivated employees are undoubtedly influenced through satisfaction and moreover represent higher levels of productivity, creating value to themselves and the company, allowing them to stay at the organization. The following sections will broaden this topic.

1.2 Incentive System

Nowadays, for companies to be successful, they need always to be aware of everything that is happening in the world and above all, be ahead of the competition and the market demand, due to the existence of constant competitiveness. And, for that to happen, it´s necessary to have resources and knowledge to obtain an edge against other firms.

According to Huselid (1995), to achieve a competitive advantage, the firm must take into considerations certain requirements such as the performance of individuals, those able to provide value. People´s traits are important for organizations and what firms want are skills that are rare in human beings, and other can´t copy the skills easily, not to mention prioritizing employees above things like machinery and other technical breakthroughs.

Thus, the goal of the compensation relies in developing a system able to keep the most important employees (Lawler III, 1983). The following issue talks about financial and non-financial incentives that there are regarding the incentive system.

1.2.1 Financial Incentives

Financial incentives are extrinsic rewards according to Frey (1997, cited by Van Harpen et al. 2003), is motivation obtained externally and it comes in the form of cash rewards.

These cash rewards don´t solely derive from compensation given by the corporation to the workers, it includes bonuses, promotions and privileges as well (Telles and Assis, 2009).

Compensation is a remuneration that each employee receives for their involvement in the activity of an organization. It is a trade in which an employer pays a certain amount in return for time, expertise, competence, experience and commitment. Compensation is also a status symbol, a lifestyle determinant and/or an element of social differentiation (Cunha et all, 2015).

This compensation schemes "is all forms of financial returns and tangible services and benefits employees receive". In spite of this, the will for a worker to stay, "largely depends on compensation packages of the organization" (Onuarah et all, 2019)

Basically, the main aspect of a worker's contracts, comes down to the reward connected with it, since that is the main purpose for someone to work. (Odunlami & Matthew, 2014) Following that pattern, Katz (1986) states that "increased wages improve morale and thus directly affect productivity through an increase in worker effort".

And since salaries are often the main or one of the largest components of an organization's budget. In retrospect, this item may be analyzed in two ways: (Bancaleiro, 2006:93)

- As a cost, which should be reduced at all expenses;
- When used as an investment that, like any other, if properly managed, may yield.

Also, according to the same author, remuneration policies must actively contribute to the company's goals, which may not necessitate a high-paying salary policy, but rather policies that attract the proper employees, this might as well create and encourage learning and growth abilities. They need to serve the purpose of motivating their employees by keeping them focused on the core goals established. Another contribution of remuneration policies are regarding individual work and contribution to the achievements of the company, building performance models, not to mention the retention of their biggest asset: the human talent where the adequate talent should be retained in any organization. Although they may have the talent, some people may not be suited for a particular type of activity. (Bancaleiro, 2006:97)

Lawler III (1983) argues saying that firms that present their workers with many rewards, are able to hold most of their employees. The author defends this position by saying "this seems to occur because high reward levels lead to high satisfaction, which in turn leads to lower turnover. Apparently, this is true because individuals who are presently satisfied with their jobs expect to continue to be satisfied and, as a result, want to stay with the same organization".

This theory is backed up by Shaw et al. (1998) as they claim that the self-interest of employees is one stepping stone in their continuation with the organization and that pay carries a big encouragement for that to happen. Bryant and Allen (2013) add by mentioning that the main or second reason for people to leave their employment is pay as they are dissatisfied. It is also true that people frequently leave to pursue higher-paying opportunities elsewhere.

1.2.2 Non-Financial Incentives

Non -financial incentives are related to intrinsic reward. The intrinsic rewards have to do with the execution of the task itself and may include a feeling of satisfaction (Telles and Assis, 2009) and "some tasks will be performed without monetary payments" (Van Harpen et all, 2003). These rewards are accomplished through "feelings of achievement, self-esteem, and growth experienced by the employee from performing the job itself" (Agarwal, 1998), they are "the self-generated factors that influence people to behave in a particular way or to move in a particular direction" (Armstrong, 2006:254).

"Intrinsic motivation is motivation that comes from within" (Ganta, 2014) at a job if it is relative to a sense of achievement and being noticed for something done or even think to have gain a sense of responsibility (Herzberg, 1987).

Ganta (2014) explains that employers acknowledge their employees by their efforts, and offering recognition over the progress being made, implicating a boost on workers productivity.

Job satisfaction can be produced by the work itself, contributing to intrinsic rewards and increased commitment with aspects such as “self-direction and responsibility” or “creativity”. (Armstrong, 2008)

“If the work tasks, environment and colleagues make the work satisfying, it will be rewarding and may very well contribute to motivation” (Anthony and Govindarajan (2013), verifying as well the importance of a company´s culture in rewarding the employees. As it reinforces the sense of unity and belonging (Bancaleiro, 2006:113)

Some of the examples of non-financial incentives are development opportunities, recognition and self-esteem, job security, quality of life at work, pride of company, among other. (Chiavento, 2014:242)

Nevertheless, according to Anthony and Govindarajan (2013), incentive systems must, on the one hand, impact employee behavior while also aligning individuals' interests and aspirations with the organization's goals, meaning there needs to be congruency between both parties.

Flamholtz (1996) holds the same viewpoint. Consider that in order for the incentive systems to be effective and motivating, the reward must be "connected" to the collaborator's goals. These, in turn, must be in line with the organization's goals. Employees should understand that developing their functions in a coordinated manner is the greatest way to perform well and accomplish their own goals. Employees, when performing well, should expect to be acknowledged and rewarded. But it isn´t always easy to set the rewards and provide the expected incentive to the employee.

1.2.3 Effects of an incentive system on productivity and turnover

The main purpose of compensations is to reward employees for their work and effort they put into performing their jobs and simultaneously induce them to be more productive and stay satisfied while doing it (Odunlami and Matthew, 2014). In addition to that, companies also take into account retention strategies that "aim to ensure that key people stay with the organization and that wasteful and expensive levels of employee turnover are reduced" (Armstrong, 2008: 163).

Bryant and Allen (2013) argue that job satisfaction and the commitment employees have to the organization is critical in order to determine turnover decisions, as firms should keep the same vigor with controlling work satisfaction and commitment.

At the same time, consolidating both is not easy. "It is often assumed that the lower the turnover rate, the more effective the organization is likely to be." This

might not be the case as Lawler (1983) explains that the reward system is intended to satisfy valuable workers and in order to achieve set objectives, the firm needs to be able to propose a better proposition in comparison to external alternatives so that employees don´t leave to other workplaces. But it has it´s disadvantages: monetary wise it can be very costly or internally it can cause the feeling of inequity as better performers experience the same reward as poor ones.

Furthermore, the cost of turnover, financially speaking can be very pricey, as an employee is set to depart, the organization is forced to spend time and money to find solutions, whether it is to find a replacement for the individual that has left or even reframe the dynamics in the operation putting other workers to cover for the tasks that were previously assigned to him (Singh and Loncar, 2010).

Many authors state the same, as Lai (2011) mentions "the costs associated with losing employees and recruiting, selecting and training often exceed 100% of the annual compensation" (Lai, 2011) or "it can cost an organization five or more times an employee´s monthly salary to replace him or her" (Lawler, 1983).

On the contrary, it is important to understand the situations in which employees leave their workspace, since not all is a consequence to the firm. As Trevor et all (1997) mention "where the replacement costs are low and average performance of replacements is expected to be high, organizations can benefit from turnover of poor performers. In contrast, turnover of high performers is more likely to be dysfunctional for the organization."

Regardless, organizational reward systems should indeed be viewed from a cost-benefit standpoint, where the benefits are measured and the costs monitored, without losing sight of the goal to determine the outcome required for organizational success (Lawler III, 1983), whilst maintaining their employees.

2. Strategic Management Tools

Given the strategic usefulness of workers, it is vital to carry out a strategic alignment of the firm with them to ensure insertion and involvement in the achievement of objectives. Note that for this to happen, companies need to carry out some actions that allow them to "insert" employees into the strategy that the company defines. It is critical to convey the strategy to all levels of the business, prompting workers to participate in it.

Nevertheless, communication is frequently non-existent or there is a lack of comprehension. Employees must feel as if they are making a personal contribution to the company's established aims. Since the appropriate people for the defined positions are also needed for these same goals to be achieved. It is also critical that with the involvement of employees, there is also monitoring, which can then control the job and be alert in case any target or measure is not the best for a specific circumstance.

With this it is possible to check some tools that help to deal with the situation at hand.

First, we have the Hoshin Kanri, that according to Tennant & Roberts (2001), "is an organizing framework for strategic management", it consists of two important elements such as planning and deployment. Both aspects play a vital role for the success of this tool as they determine "the process of determining targets, the development of means to achieve the targets, and the deployment of both". Planning has the purpose of identifying what is expected by the company and its needs in the long term in order to fulfill the expectations that may be established. The planning must be infused into everyday operations, being backed up by "good vertical and cross-functional communication". (Tennant & Roberts, 2001), not to mention the whole organization involvement as well.

Another strategic management model is the OKR (Objectives and Key Results), “a goal-setting tool”. According to Wilsey (2000), the model is recognized for its easy usability, the Objectives describe, in a qualitative manner, what companies attempt to accomplish and the Key Results quantify how much progress of the objective is being made. The basis of the model in terms of reevaluation is frequent as it is designed to last each quarter with the focus of the tool being more individual and team oriented, helping therefore with the increase of “engagement, alignment and action”.

However, it is possible to identify a tool that can handle and comply with all these assumptions, and the Balanced Scorecard is a tool that forces the company to think holistically about its business and how its objectives and measures fit into the story of the strategy they intend to implement (Wilsey, 2000). Because despite similarities that OKR and the BSC present and the OKR being more targeted to lower tiers, “organizations that implement OKRs need a strategy management system to guide OKR alignment”. (Wilsey, 2000) The tool's creators, the Balanced Scorecard by Robert Kaplan and David Norton, claim the tool's ability to describe the strategy through strategy maps (which will be discussed later) as well as the ability to align the strategy with the control system, resulting in the alignment of all units, processes, and systems of an organization with its strategy. (Kaplan & Norton, 2006:259)

3. Balanced Scorecard

3.1. Concept

The Balanced Scorecard instrument was conceptualized by David Norton and Robert Kaplan in 1992. They were both involved in a study that sought new ways to evaluate business performance. Their research project led them to develop a method for assessing companies' performances, being it inspired by their study, involving a few companies, where there "was a growing belief that financial measures of performance were ineffective for the modern business enterprise" (Isoraite, 2008). "Traditional systems measuring the performance of a business unit are usually based on short-term financial goals. Such systems are no longer appropriate to master the challenges which confront companies' nowadays" (Ahn, 2001).

Niven (2002: 6) also mentions some criticisms regarding the exaggerated use of financial measures mentioning that they sacrifice long-term thinking due to cost-cutting measures that only benefit short term financial measures. Adding as well that they do not hold any "predictive power for the future" (Niven, 2002: 6).

Instead, it functions as reviewing system to past performances, summarizing the organizations past actions. Therefore, the use of non-financial indicators began to have an increasing importance in the success of organizations (Kaplan and Norton, 2005).

The concept of the Balanced Scorecard was to develop a system that goes beyond the financial performance indicators and presents indicators in other areas such as Customers, Internal Processes, and Innovation and Learning, all of which operate in equilibrium and are quantifiable through indicators (Kaplan and Norton, 2005). So BSC aims to measure the performance of a company based on a set of financial (lagging indicators, that tell us information about the past) and non-financial indicators (leading indicators, that provide insight about future performances).

Thus, the Balance Scorecard, established by Robert Kaplan and David Norton, is a strategic management model that seeks to formulate, implement and monitor strategies that bring value to the firm over the long term. “The measures selected for the Scorecard represent a tool for leaders to use in communicating to employees and external stakeholders the outcomes and performance drivers by which the organization will achieve its mission and strategic objectives” (Niven 2002: 12). While also tracking short-term financial success, the BSC allows firms to create capabilities and acquire intangible assets that drive future financial growth. (Kaplan & Norton, 1996)

Kaplan and Norton (1996:10) characterize the Balanced Scorecard as a strategic management system allowing companies to accomplish critical management processes such as:

- Clarify and translate vision and strategy
- Communicate and link strategic objectives and measures
- Plan, set targets, and align strategic initiatives
- Enhance strategic feedback and learning

3.2 Foundations of the BSC

For the development of the BSC, advanced by Kaplan and Norton, it initially goes through 4 main components. “The components of an effective Balanced Scorecard are your organization´s mission, core values, vision and strategy.” (Niven, 2002:71).

The mission of a company explains the reason for their existence. They can be formed for various reasons such as offer services, manufacture products and much more (Werner & Xu, 2012). “A mission statement defines the core purpose of the organization- why it exists" (Niven, 2002:72). The author emphasizes mission as a reason for employees to work at the company, "beyond simply increasing shareholder value".

Personal core values shape a human being, those values allow them to understand what is most essential in life and helps define a sense of what is right or wrong (Werner & Xu,2012). A company's values are the timeless ideas that guide it. As a result of this, all employees' actions are a reflection of the organization's core values. Values in a company state how it expects everyone to act. (Niven, 2002:77)

An organization's vision statement paints a picture of what it hopes to be in five, ten, or fifteen years' time. Statements like this should provide a basis for developing strategies and goals, concise and straightforward. (Niven, 2002:83) It´s crucial that all employees of a firm recognize and know the vision of a company. If it´s only understood by the upper echelons of the corporation, the organization will most likely not succeed in achieving their goals. As a result, before beginning the strategy implementation process, companies must have a clear understanding of why they exist, where they hope to go in a few years, and how they intend to define their company. (Sinha, 2006) "Typical elements in a vision statement include the desired scope of business activities, how the corporation will be viewed by its stakeholders, areas of leadership or distinctive competence, and strongly held values." (Niven, 2002:83)

Once a firm has defined its mission, fundamental values, and long-term vision, it must develop a practical plan of action to achieve the strategy. In order for a company to achieve its mission and vision, it must also have a strategy for generating corporate profits. (Werner and Xu, 2012) The problem with defining a strategy is that it might have numerous interpretations depending on the company. High-level plans that management devises to guide the organization into the future are seen as a strategy by some people.

Alternatively, you may say that a strategy is based on the particular, actionable steps you'll take to get to your intended future outcome. Others consider strategy to be nothing more than best practices. (Niven, 2002: 90) Therefore, an effective business strategy requires a thorough assessment of current and future conditions, including an assessment of the firm and its rivals as well as social, economic, and market indicators. (Werner and Xu, 2012)

The Balanced Scorecard is a tool destined to translate an organization´s mission, vision and strategy into measurable outcomes, therefore it is critical that each of these components is ensured in place prior to the development of the tool. After they are set, they can start to be unfolded into a series of objectives, performance measures and targets structured into four distinct perspectives. In the following section both the objectives and performance measures as well as the four perspectives will be covered.

3.3 Objectives, performance measures, targets and initiatives

"Objectives are concise statements of what the organization must do well in each of the four perspectives of financial, customer, internal process, and learning and growth in order to execute its unique strategy." (Niven, 2014:8). Werner and Xu (2012) add that company´s intents are translated through their objectives because they are "concise statements that articulate what the organization hopes to accomplish".

Performance measures help, by defining how success is measured in the accomplishment of objectives. (Werner and Xu, 2012) They are "quantifiable standards used to evaluate and communicate performance against expected results. Those expected results take the form of targets that accompany each measure." (Niven, 2014:10). In terms of measures, it is critical to highlight the lag indicators (represent actions previously taken) and the leading indicators (driver of the lagging indicator, improve of leading indicator drives better performance in lagging indicator) as they are crucial, since they are a source to the BSC. (Niven, 2014:25) “a good Balanced Scorecard should have an appropriate mix of outcomes (lagging indicators) and performance drivers (leading indicators) that have been customized to the business unit´s strategy.” (Kaplan and Norton, 1996: 150)

Targets are the outcome that hopes to be expected of the performance measure established. It helps with the assessment by providing feedback on performance. (Niven, 2014:27).

Finally, initiatives are activities that allow for the execution of the performance targets established (Werner and Xu, 2012). Strategic initiatives are the specific projects, activities, or programs you’ll embark upon in order meet or exceed your performance targets. (Niven, 2014:25)

3.4 Balanced Scorecard Perspectives

3.4.1 Financial Perspective

The financial perspective focuses on the financial success of the company. So, the company needs to be able to ask the question “How do we look to shareholders?” taking corporate and shareholder perspective into account. It is translated into financial indicators, favoring the organization´s financial results (Kaplan and Norton, 1996)

For all other scorecard perspectives, financial goals serve as a focal point for objectives and metrics. “Every measure selected should be part of a link of cause-and-effect relationship that culminate in improving financial performance.” (Kaplan and Norton, 1996:47). Both authors back in 1992 mentioned that this metric helps to determine how much a company´s strategy, implementation and execution add to bottom-line improvement.

"The financial performance measures define the long-run objectives of the business unit" (Kaplan and Norton, 1996) and linked to the sequence of activities that must be performed with financial processes, customers, internal processes, and lastly people to provide the required long-term economic performance. (Kaplan and Norton, 1996:47). As a result, the financial view sits at the top of the BSC, interpreting the results of behavior and integrated performance from the other three perspectives through cause-and-effect linkages.

Nonetheless, financial indicators are connected to the strategy selected, which in turn is linked to the organization´s life cycle phase. Kaplan and Norton (1996) identified three stages:

- Growth: are business at an early stage of their life cycle, having products and services that have potential to grow, and in order to capitalize the same there are infrastructure investment, creation/consolidation of internal process and expansion of client base portfolio. This phase's financial goals include expanding the company's market share, and maintaining current costs.
- Sustain: business where Investment and reinvestment are still attractive, but high returns on invested capital are necessary. This phase is characterized as an effort to enhance production capacity by investing in better processes and gradually expanding production capacity through the management of the organization's assets and resources
- Harvest: are business that have achieved a mature phase of their life cycle. As a result of carrying out replacement expenditures to sustain current capacity, the harvest phase maximizes financial flows created before. "Any investments must have immediate and certain paybacks"

From those same three stages, there are three financial themes guiding the organizations strategy: (Kaplan and Norton, 1996:51)

- Revenue growth and mix

- Cost reduction/productivity improvement
- Asset utilization/investment strategy

As indicated in the table, these three themes may be employed in every life cycle phase/chosen strategy, and different targets and indicators should be adopted based on the life cycle and financial difficulties.

Business Unit Strategy	Financial Themes: Revenue Growth and Mix	Financial Themes: Cost Reduction/Productivity Improvement	Financial Themes: Asset Utilization
Growth	Sales growth rate by segment Percentage revenue from new product, services, and customers	Revenue/Employee	Investment (percentage of sales) R&D (percentage of sales)
Sustain	Share of targeted customers and accounts Cross-selling Percentage revenues from new applications Customer and product line profitability	Cost versus competitors' Cost reduction rates Indirect expenses (percentage of sales)	Working capital ratios (cash-to-cash cycle) ROCE by key asset categories Asset utilization rates
Harvest	Customer and product line profitability Percentage unprofitable customers	Unit costs (per unit of output, per transaction)	Payback Throughput

Figure 1- Lifecycle of Business Units

When talking about revenue and growth and mix, Kaplan and Norton (1996) refer to it as growing product and service offerings, being able to obtain new customers and markets, by shifting the product and service mix towards "higher-value-added offerings, and re-pricing products and services".

Cost reduction/ productivity improvement refer to attempts of minimizing costs, direct and indirect, of products and services as well as being able to maximize productivity and usage of resources through the sharing of the same with other business units. (Kaplan and Norton, 1996)

Finally, asset utilization revolves around seeking to lower working and physical capital levels necessary sustain a certain volume and mix of business. (Kaplan and Norton, 1996)

3.4.2 Customer Perspective

Companies need to understand "how do customers see us?", it is a perspective that reflects the complicity and level of partnership that exists with customers. Therefore, all objectives should be formulated with the customer's perception in mind, so that their needs are efficiently met. (Kaplan & Norton, 1996) The customer's point of view generally comprises a number of generic metrics of the success of a well-formulated and implemented plan, being them:

- Market Share: refers to the percentage of a particular market's business that a company unit sells in terms of clients, money spent, or unit value sold.
- Customer Acquisition: It evaluates how quickly a company unit can bring in or lose new customers or clients.
- Customer Retention: measures how long a company's business unit is able to keep in touch with its clients.
- Customer Satisfaction: measures how satisfied consumers are with the value offer based on certain performance criteria.
- Customer Profitability: assesses the net profit of a client or a segment after taking into account the specific costs necessary to service that customer.

Customers, on the other hand, are generally concerned with normal practical issues such as: delivery times, quality, and value for money. As a result, the company is compelled to set objectives and convert them into precise measurements. Products and services have qualities that might spark client attention, and this is known as a value proposition. Due to the fact that the value proposition might differ depending on the industry, the characteristics can be split into three categories: Product/services attributes (it regards to a product/service functionality, price, quality, uniqueness and among others); Customer relationship (comprises of the delivery of products and services to the customers, including the response and delivery time and moreover understand the experience felt buy the purchasing customer); and Image and Reputation (is the intangible factors that attract clients to buy from companies. The capability to develop a loyal costumer through advertising and delivering quality of product and service, not solely depending the tangible quality of their products and services) (Kaplan & Norton, 1996)

3.4.3 Internal Processes Perspective

This perspective is concerned about "key processes the firm must excel at in order to continue adding value for customers and, ultimately, shareholders". (Niven, 2002:15) It is a perspective that aims to optimize internal processes and assess which generate the most value for the organization. Optimized processes generate quality of products and services (Kaplan & Norton, 1996)

This succession helps businesses to concentrate their internal business process metrics on the operations that will deliver the goals set for consumers and shareholders. (Kaplan & Norton, 1996:92)

Meaning, it is important to follow the entire chain from the innovation process to operational procedures to after-sales service in order to plan the BSC. During the innovation process, the business unit investigates new or latent consumer demands and then develops goods or services to fulfill these needs. (Kaplan & Norton, 1996:96) The operational phase is where current products and services are manufactured and supplied to customers. Still essential aims are operational excellence and cost reduction in manufacturing and service delivery processes. Finally, the After-Sales Service Process is concerned with the fulfillment of after-sales conditions, such as guarantees, returns, and technical help, all of which contribute to the satisfaction of client demands. (Kaplan & Norton, 1996:97)

3.4.4 Learning and Growth Processes Perspective

In this perspective the company needs to be aware of how they are capable of continuing to improve and create value, therefore create long-term growth and improvement. Employee learning is seen as a key aspect in motivating and engaging employees in the organization's objectives, while innovation and technical advancement are also considered (as a guarantee of competitiveness and preservation of the future). (Kaplan and Norton, 1996) The objectives in the learning and growth viewpoint lay the groundwork for achieving ambitious goals in the other three perspectives. The learning and growth objectives are the motivators for attaining great results in the first three scorecard perspectives. (Kaplan & Norton, 1996:126) Niven (2002:16) adds that "the measures in the Learning and Growth perspective of the Balanced Scorecard are really the enablers of the other three perspectives."

Therefore, Learning and Growth perspective allows for the attainment of established goals in other perspectives. In order for that to happen three categories were identified when building the BSC (Kaplan and Norton, 1996:127):

- Employee capabilities: Employees' wide and increased expertise fosters a proactive mindset in recognizing client demands and improvement of internal processes. For that to happen employees go through formation and re-skilling so that their ideas and creative skill may be mobilized to achieve corporate goals
- Information systems capabilities: Information systems must be trustworthy and effective in order to get timely information, allowing staff to make judgments regarding consumers, internal operations, and the financial repercussions of their actions. This allows to eliminate excess cost and time and moreover continuously improve processes
- Motivation, empowerment, and alignment: No matter how qualified an employee is, he will only succeed if he is appropriately motivated and

devoted to protecting the company's best interests, and most importantly, if he has the authority and freedom to make judgments and act accordingly.

3.5 Cause-and-effect relationship and strategy maps

The four perspectives above mentioned have a link of cause-and-effect, meaning there is a connection between them (Sinha, 2006). The copulation of vision and strategy are a cause and effect relationship based on these perspectives, meaning making improvements in one of them may improve another. Niven (2002: 21) even adds "a well-designed Balanced Scorecard should describe your strategy through the objectives and measures you have chosen. These measures should link together in a chain of cause-and-effect relationships from the performance drivers in the Learning and Growth perspective all the way through to improved financial performance as reflected in the Financial perspective".

Although the concept is basic, the execution and visualization of interactions get difficult; hence, managers build and employ graphical representations to support what they refer to as strategic maps. "Strategy maps are useful for implementing the balanced scorecard and for ensuring that the scorecard works to help the company to execute strategy." (Werner and Xu, 2012). Jones (2016:8) adds that it allows for the management team to record their strategic thinking and intent, allowing to determine therefore team´s choices and intentions. A well-structured strategy map shows, "what these choices are, how the strategy will bring about change and how you will deliver your strategy".

4. Strategic alignment between BSC and Human Resources

BSC is able to recognize the value of Human Capital inside an organization through the Learning and Growth perspective understanding it´s importance, as “the human capital of the organization underpins its strategy, creates its value and drives performance” (Jones, 2016:211)

This can be backed up by Bancaleiro (2006:20) as he mentions the growing success that Human Capital provides to the thrive of companies. According to Kaplan and David Norton, intangible assets have become more important during the 1980s, rising from less than 40% to over 85% by the change of the century.

Therefore, companies nowadays are shifting their focus to their employees and the Balance Scorecard helps, measuring human resource processes, as well as the practicability that Human Capital can reach in accordance with the company´s objectives.

The goal is to verify that the designated indicators are compatible with the overall strategy. As a result, this technique offers the advantage of making human resource management consistent with long-term goals translated through quantitative indicators (example: nr of hours of training per employee). The availability of qualitative indicators also enables businesses to assess the degree of performance and motivation, providing a more subjective side, both of which are influencing elements in the organizational environment. That system allows you to discuss and evaluate the success or failure of a strategy's execution. (Bancaleiro, 2006: 46)

Considering the Balanced Scorecard approach, it is reasonable to conclude that this system enables the construction of a strategic alignment within an organization, with the purpose of linking all of its components and, as a result, generating a business relationship.

5. Examples and cases of BSC implementation and utilization

5.1 Balanced Scorecard implementation to a company in the field of Civil Construction

Silva (2018) aims to apply the Balanced Scorecard in a small and medium-sized firm that operates in the civil construction industry and, according to it, has a weak strategic management culture.

The author separates the process of developing and implementing the BSC model into two distinct phases. It starts with the development of the organizational BSC and then moves on to the implementation of the organizational BSC.

The organizational BSC was developed by Paul Niven (2002) and consists of the following steps:

1. collection of data about the company, that is, carry out a characterization in which it contains information such as market analysis, organizational chart, mission, vision, values, and strategy by the company, among others, this through information provided by the company and the sector where the same fits
2. If not previously done, create or confirm the mission, vision, values, and strategy
3. having an interview with the executive director or partners of the firm in order to analyze and change the model.

4. By arranging a new meeting with the executive director, you will be able to set objectives and indicators for each viewpoint of the BSC. In this stage, a questionnaire with closed questions was distributed to the company's workers (managers and non-managers) to see whether the company's important value aspects were recognized.
5. Under the supervision and permission of the executive director, create a strategy map that establishes the cause-effect linkages, and discuss the frequency with which the proposed strategic objectives will be evaluated
6. set goals for the proposed indicators
7. Implement the final model and comprehend the frequency with which it will be revised.

In a second phase, we have the BSC cascading process, by Jordan et. Al (2011):

1. the realization and definition of the company's organizational chart in order to understand the company's structure
2. the determination of objectives and initiatives, that is, initiatives are indicated to affect the previously defined objectives
3. then follow the indicators for the previously established initiatives
4. At this point, the values for the indicators must be computed, but the author was not permitted to reveal them by the firm in issue
5. The BSC is the outcome of the four previously defined phases; nevertheless, the author of this project and the company's administration agreed that the fact that it has a tiny structure does not warrant sustaining the method given.

After the implementation of the BSC, it was then possible to verify the alignment of the company's strategy that the author proposed with the respective objectives, not using, given its size, the cascading process. The additions of other tools may also consolidate and even generate new procedures, such as improving the quality of products or services, thus generating a competitive advantage.

With the description of the BSC pillars, the author alluded to the tool's relevance in administration, while also bringing together, as a distinctive feature, the integration of financial and non-financial objectives. The BSC forced the author's firm to reallocate its resources to where they were required, resulting in improved performance.

5.2 Communication and implementation of the Balanced Scorecard between companies of a multinational group: the case of Leica in Portugal

In carrying out his final assignment, Mauricio (2012) was based on assessing how the Balanced Scorecard, which was designed and executed, is seen by workers of Leica, a worldwide business, on the national territory and verifying their own understanding about it.

The study was created in three separate phases. In an early attempt, the author used several data sources to describe the firm. This was caused by the usage of internal business reports, such as the Key Performance Indicators, such as management reports. The utilization of internal resources allowed for the verification of the company's sectorial analysis (SWOT) as well as other information such as mission, vision, and values, which are indicators to consider when considering the Balanced Scorecard.

Following that, interviews were held, with a focus on the issue that the author wishes to study. The majority of the interviews were conducted with department heads.

Finally, the final stage is the creation of a final report that offers a guiding thread across the previous processes and is legitimate enough to give a basis for getting a response to the research questions that were first presented.

According to the author, the findings obtained are different because the Leica firm, despite the usage of the BSC, does not transmit a clear knowledge of it, resulting in employee misunderstanding. This occurs because there is awareness of a current management tool, such as the usage of KPIs, but its function as a technique that supports the group's strategic management is unclear. This loss in understanding about the use of the BSC may therefore be confirmed by the lack of direct knowledge, which was verified, on the part of workers and the measures to be taken with its usage.

Chapter 2
Methodology

1.Objective and Method of investigation

1.2 Research Objective

The goal of this master's thesis is to investigate and comprehend how a strategic management instrument, the Balanced Scorecard, can help aligning employees with the company's strategic objectives.

The basis of the investigation has as specific objectives, then:

- Understand which processes the company uses in implementing the BSC
- Understand how the company managed to form the alignment between the strategic objectives and its employees
- Check if there is a link between the achievement of goals and the reward system that the company practices

1.3 Research Methodology

According to the theme presented, I chose to conduct a case study based on a large company with multiple business units that has been using the Balanced Scorecard for more than a decade and has prior experience with the tool, so I speak of the company Corticeira Amorim, located in the north of Portugal, with headquarters in Santa Maria de Lamas. This method can be used, according to Yin (2001:19), since the case study is applied in numerous circumstances, including organizational and management studies.

According to Zainal (2007), ", a case study method selects a small geographical area or a very limited number of individuals as the subjects of study. Case studies, in their true essence, explore and investigate contemporary real-life phenomenon through detailed contextual analysis of a limited number of events or conditions, and their relationships."

Case studies are increasingly being utilized by academics to serve a variety of research aims. This allows for the exploration of real-life situations whose boundaries are not clearly defined, as well as the description of the scenario in the framework of a detailed study. Gil (2008)

The case study investigation is based on various sources of information and evidence, with a convergence with data obtained, that is, the case study functions as a research strategy that includes a methodology that includes various data collection techniques, making it a comprehensive research strategy. Yin (2001:33)

However, case studies may be classified into three types (Gil, 2008):

- Exploratory: Exploratory research focuses on creating, clarifying, and altering thoughts and ideas in order to formulate more precise issues or researchable hypotheses for future investigations. These are the forms of study that have the least amount of rigidity in planning. They frequently include bibliographic and documentary research, as well as non-standard interviews and case studies. In these surveys, sampling processes and quantitative data gathering techniques are not typically used
- Descriptive: Descriptive research has as its major goal the description of the features of a certain population or phenomena, or the identification of correlations between variables. There are several studies that fall under this category, and one of the most notable elements is the adoption of standardized data collection methodologies.
- Explanatory: These are researchers whose main concern is to identify the factors that determine or contribute to the occurrence of

phenomena. This is the type of research that deepens the knowledge of reality, because it explains the reason, the reason for things. For this reason, it is the most complex and delicate type, as the risk of making mistakes increases considerably

McDonough and McDonough (1997, cited by Zainal, 2007) still identify to more types:

- interpretive: “the researcher aims to interpret the data by developing conceptual categories, supporting or challenging the assumptions made regarding them”
- evaluative: “the researcher goes further by adding their judgement to the phenomena found in the data”

However, there is some resistance to case studies, due to variables such as a lack of scientific rigor, and this same rigor is not indicated, resulting in biased case studies. Another limitation of case studies is the inability to generalize conclusions; the investigation of a single or even numerous examples gives a shaky foundation for generalization. Finally, we must consider the time spent on research, given that there have been complaints that it takes a long time and does not produce optimal results, or at the very least leaves something to be desired. Nonetheless, based on past experience, it is possible to validate case studies conducted in short periods of time. Gil (2008)

Taking into account the different types of case study, the exploratory case study was chosen, as the work focuses on understanding the way in which a certain practice within the scope of organizational alignment is being used by the company.

1.3 Characterization of the case study and procedure

In this study, a Portuguese company in the cork sector was analyzed, in which we seek to understand how its strategic management tool, the Balanced Scorecard, allows the creation of a strategic alignment of employees with strategic objectives.

The method of data collection that is most frequently used, when we are dealing with a qualitative and case study investigation, are interviews, however, as Yin (2001) and Coelho dos Santos (2012) refer, that it is necessary to create a triangulation of different sources of information to create evidence about what can be said during the same. Bearing this in mind, it was then possible to understand, through sustainability reports and consolidated accounts, how the Balanced Scorecard is being implemented, that is, there is a description of what is already being done by the company.

Data collection included conducting interviews with a member of the board of directors and an employee of the company (as it can be seen it Appendix 1 and 2), together with obtaining information by consulting the company's website and as mentioned though their sustainability reports and consolidated accounts.

With regard to the process, an initial interview was required with one of the members of the company's Board of Directors, Dr. Fernando Almeida, who is director of organizational development and planning and management control of the company. The reason for the interview derives from his knowledge of the BSC tool, having as professional expertise the areas of Balanced Scorecard and strategic management. As well as his responsibility in the implementation of the tool within the organization. The interview was held on the 16th November 2021 at 18h30 and the interview lasted between 30-40 mins.

At the same time, on a different day (4th January 2021 at 11h) it was possible to carry out a second interview, with a duration of 50 mins, with an employee of the company that is a functional consultant for management control, responsible for an ERP (Enterprise Resource Planning) implementation project that is called SAP S/4 HANA, as well as being responsible for the BI (Business Intelligence) implementation project. The employee works in the Amorim Cork Services, which is a company that provides services to the entire group, implementing SAP in all Units. The reason for this interview lies on the perspective that an employee has regarding their position and if she views it the same way as Dr. Fernando Almeida, not to mention, provide more detail about questions that were asked to him and understand if they differ or resemble what was previous stated in order to prove as well if there is any kind of alignment throughout the enterprise.

The script from both interviews carried out, are available through the annexes 1 and 2, respectively. The first and second script were based of Niven (2002) and his book "Balanced Scorecard Step by Step: Maximizing Performance and Maintaining Results" as well as the literature review stated, were there are question that where approach in both interview, taking as an example, the measurement of objectives, such as qualitative indicators that enable business to assess the degree of performance as well as adapt to questions that where particular to the company and the situation that they are in, in order to have a context of the organization.

2. Case study development

This chapter contemplates the development of the case study, aimed at obtaining answers to the initially formulated investigation questions.

For this purpose, it begins by preparing a characterization of the company in view of the vision, mission and defined values, as well as describing the different business areas in which the company operates.

This analysis was carried out in order to allow a better understanding of the context in which the company operates.

Next, we verify how the company adopted the Balanced Scorecard and how it is operated, what allows to create alignment with employees and understand if there is a reward attached to the achievement of objectives

2.1 Company

As the website of the company states, Corticeira Amorim is a firm that is now led by the fourth family generation and claims to be the world's largest cork processing group. The organization, which has been around for nearly 150 years, is present in a variety of industries, including aerospace, car, construction, sports, energy, wine, and many more. Raw materials, stoppers, coatings, composite agglomerates, and insulation are the company's business units.

As the current leader in cork processing, some of the company's achievements are gathered, such as the considerable annual investment in research and development, being able, through innovation and improvement of its portfolio, to respond to the needs of its customers and anticipate trends and demands provided by the market.

In terms of their worldwide projection, they have a percentage of 93% of sales made outside the national territory. Corticeira Amorim has around 4400 employees and comprises 19 industrial units, 10 raw material preparation units and 10 joint ventures. Its presence is felt in more than a hundred countries on five continents, and it is now at the forefront of industry, technology and sustainability. (Amorim, 2020)

2.1.1 Mission, Vision, Values and Strategy

The mission, vision, values and strategy of the company are scattered through the company´s website as well as their sustainability report

The mission of the company is "To add value to cork in a competitive, distinctive and innovative way that is in perfect harmony with nature."

The vision is "to be sustainable company, providing suitable value for the capital invested while promoting social equity and environmental safeguards, with differentiating factors at product and service level"

The company is guided by a few values such as pride, ambition, initiative, sobriety and attitude.

The company made a commitment with a sustainability strategy aligned with their own view and values, stakeholders and the United Nations sustainable development goals. Therefore, some of the goals that the company established are the preservation of cork oak forests, the reduction of environmental impact, "promote the training and well-being of employees", or even the development of green products to promote sustainability.

2.1.2 Financial Information

With regard to the report presented by the company, the results they presented in the year 2020 were considerably impacted by the Covid-19 pandemic. This impact consequently negatively affected the company through a reduction in sales. The result of this situation is seen through a percentage reduction of 5.2% in sales, and throughout the year and the corresponding variation it presented. In the first quarter, there was an increase of 0.7%, but in the second quarter, with pandemic measures already implemented, there was a decrease of 10.5%, and in the following two quarters about 5.5%. (Amorim, 2020)

Notwithstanding this situation, it is possible to verify that the company's profitability, seen through the EBITDA/Sales ratio, contrary to what happened with sales, registered an improvement, thus allowing to reduce the impacts created by the pandemic. (Amorim, 2020)

Corticeira Amorim's EBITDA decreased by 1.8 percent compared to the previous year, but not by less than the 5.5 percent already recorded by Sales, resulting in a 16.6 percent EBITDA/Sales ratio, benefiting from the consumption of raw materials acquired at lower prices, operational efficiency gains, and sales price increases, which offset the negative effect of lower activity levels associated with the pandemic and currency devaluation. (Amorim, 2020)

Net debt was reduced by around 50 million euros compared to 2019, but financial expenses remained the same compared to last year. (Amorim, 2020)

It should be noted that the company's non-current expenditures increased due to the recognition of the unusual bonus granted to Corticeira Amorim workers in honor of the company's 150th anniversary, as well as the reorganization of the Coatings, Cork Stoppers, and Composite Cork BU. This also explains why the decrease in results is greater than the decrease in EBITDA. (Amorim, 2020)

Finally, the consolidated net profit decreased by 14.2% compared to the previous year, however, given the company's positive financial position, Corticeira Amorim was able to distribute dividends of around 24.6 million euros. (Amorim, 2020)

2.1.3 Board Composition

All members of the board, including Chairman, Vice-Chairman and the correspondent members are all described below. As represented in the Figure, there is a clear view regarding the board members.

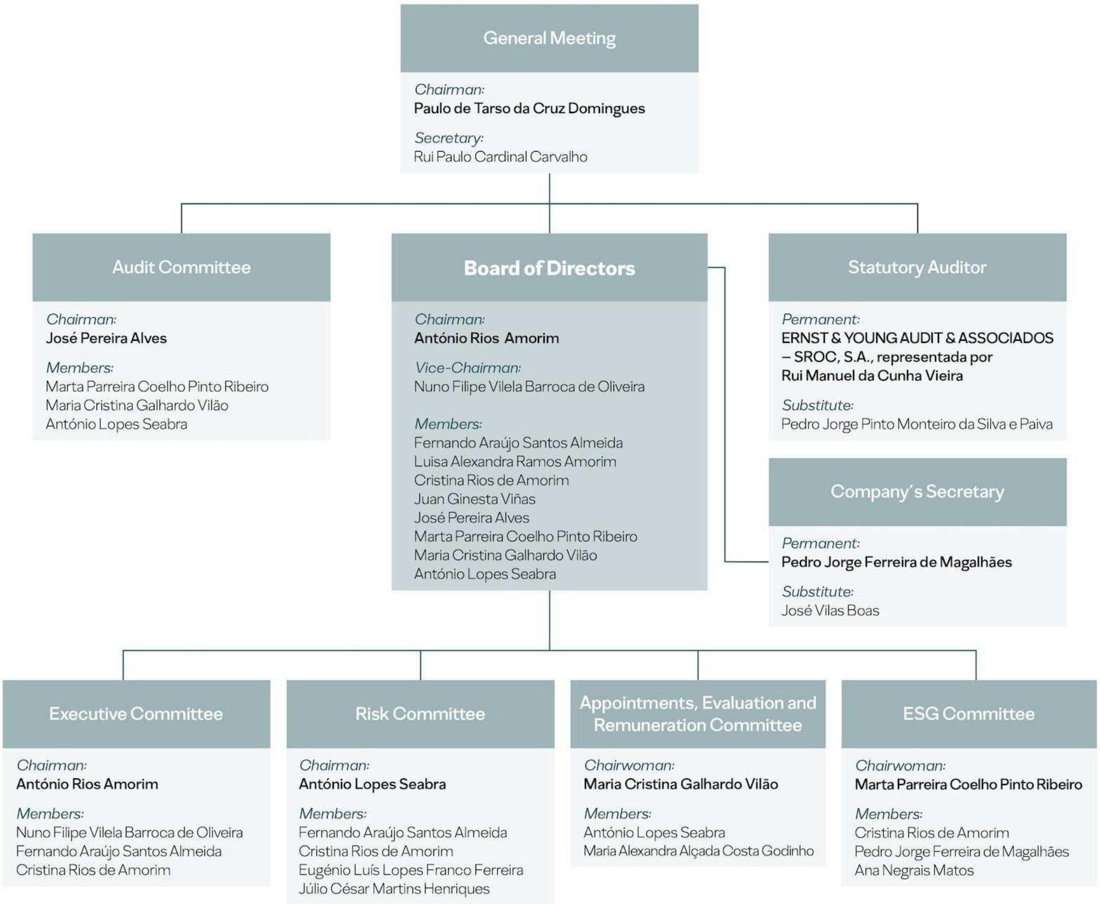

Figure 2- Board Composition

2.1.4 Human Resources

The organization ensures rights and equality of opportunity for everyone involved, with the goal of promoting not just health and safety at work, but also professional and personal growth via training.

For this to happen, the company has a fundamental policy principle that it adopts as follows (Amorim, 2020):

- Adopt and assume the principle of freedom of association, which ensures workers ability to effectively associate in the pursuit of collective workplace goals
- Encourage a physically, socially, and mentally secure and healthy work atmosphere that strives to improve by implementing the finest skills and practices in the area;
- Encourage the application of the concepts and acceptance of the behavior outlined in the Code of Ethics and Professional Conduct, which should organize internal employee relations as well as relationships with other stakeholders;
- Implement personnel management techniques in the framework of recruiting and skill development that promote non-discrimination of any sort and equal chances, while also creating work environments in which plurality and difference are a component of continual growth and innovation;
- Adopt techniques of leading-by-example that respect learning and development, as well as merit-based and judgment-free recognition and compensation

2.1.5 Business Units

Taking a deeper look at the company's business, we can see a division of operations into five different business units, which are then Raw Materials (Amorim Florestal); Corks (Amorim Cork); Floor and Wall Coverings (Amorim Cork Flooring); Composite Cork (Amorim Cork Composites); and Insulation Cork (Amorim Cork Insulation).

<u>Raw Materials</u>

The Raw Materials unit is critical to the firm since it supplies all other business units. Its mission includes locating, stocking, purchasing, and processing the raw material that is the cork.

Corticeira Amorim created the firm at the end of 2002 as a result of organizational restructuring, with the objective of intervening in all cork production regions. Its responsible workers have extensive understanding of cork, production locations, and production areas, as well as many years of experience working with forestry producers. The mission then includes supporting the expansion of cork production, which might help Corticeira Amorim's desire to expand its activity. (Amorim, 2020)

<u>Cork Stoppers</u>

Amorim Cork has a worldwide projection with regard to cork stopper procedures, as it is the largest producer, supplier and distributor. This is possible through high quality control, as well as investment in advanced production technologies and solid know-how in product supply.

Amorim Cork has subsidiaries in numerous parts of the world, as well as in the major wine-producing areas, owing to its significant global presence (Spain, France, Italy, South Africa, Chile, Australia and the United States of America). As a result of its extensive distribution network, it is able to supply the world's best wineries, offering a variety of natural, microaglomerated, encapsulated, ergonomic, or personalized rolls. (Amorim, 2020)

Floor and Wall Coverings

This business unit specializes in the manufacture of cork flooring and wall decorations. Amorim Cork Flooring, founded in 1978, has therefore become the industry leader due to the high quality of the product exhibited and the resulting sustainability credentials.

The company is able to enhance the properties of cork through innovative technologies, thus managing to extend the company's portfolio to homes, hotels, museums and other establishments.

Composite Cork

Amorim Cork Composites seeks to reimagine the usage of cork, finding new ways and techniques of using it to promote better global sustainability. In essence, the firm can now create and manufacture high-performance cork composite systems.

As a result, the company is able to showcase a portfolio of products that are positioned in markets such as the aerospace, automotive, clothing, and interior design industries, among others. Essentially, the company intends to employ a circular economy by reusing and recycling used materials in order to enter a variety of industries.

Insulation Cork

Finally, Amorim Cork Insulation specializes in the development and manufacture of agglomerates for acoustic, thermal, and anti-vibration insulation.

The firm is able to stand out and flourish due to the high quality and needed demand standards, taking into mind its surroundings and, above all, managing to conserve natural resources such as safeguarding ecosystems. As a result of these steps, the firm is now in a solid position in the European market.

2.2 Case Analysis

Corticeira Amorim is governed by a strategic tool called the Balanced Scorecard. It allows the company to enhance, through its use, the strategic alignment of the company. Its use began in 2003, approaching Corticeira Amorim together with its business units.

However, in a first phase it was necessary to identify the reasons behind the use of the instrument. The company then resorted to using the BSC for a few reasons, namely: the change of governance in 2003; lack of medium-term planning, and for that same planning the company was governed only by the budget with which they operated in the short term; results that fall short of financial expectations in the past two years; or even the lack of correct monitoring by the Business Units. (Ferreira, 2009 cited by Simões (2015)).

In 2004, the year in which the company's first strategic map was created, it resulted from the company's need to think a little beyond the longevity of the year. This tool made it possible to present the organization's strategy in a simpler way. The organization wanted to be able to succinctly summarize the strategy in a simple way, in fact the strategy map turns out to be a visual representation of the company's strategic objectives on a page.

It allowed the construction of operations from a top-down perspective and operationalization from the bottom up. Dr. Almeida mentioned and I quote that it turned out to be a "Columbus egg", that is, something that was very difficult to accomplish, but after its completion it seems much easier.

In addition to the longevity that the company intended to achieve, the instrument allowed, on the one hand, to make what the strategy is about through objectives that people understand, but also a lot of communication and alignment of objectives within the organization so that the greatest number of people can understand why the objectives are strategic.

The company then decided to adopt the BSC in order to improve the model and process of strategic and operational planning, and could also guarantee the monitoring of the Group's processes. This helped to actually pragmatize the goals for the proposed objectives. Dr. Almeida gave an example saying that “increasing sales” was different from saying “increasing sales by 3% to 5”, because this forces people to commit to those goals and leads to these goals being broken down within the organization to contribute to each of the areas. In this sense, they were able to cover all the business units. The financial perspective serves here a purpose of a reference as a focal point to the objectives and metrics established for the company. This metric serves as example of how it affects the strategy and the implementation. The implementation then helped to transform the strategy into objectives and actions, allowing at the same time to have a management tool capable of clarifying, systematizing, communicating, aligning and operationalizing the strategy. As mentioned above, 2003 was the first year of use of the tool, but its effective use was then from 2004, after the validation of a plan and program discussed by the Board of Directors of Corticeira Amorim.

Over the years, the company continues to use the same tool in force to this day. Thus, it is possible to verify that the strategic alignment of the entire organization continues to be enhanced by the BSC, as well as in its Business Units, through an action plan to make sure that the initiatives, programs and projects are really being fulfilled. This is important in terms of alignment, because the company's practice is to ask or even indicate to people where the company is at the moment and which path it intends to follow. This is possible to see based on the contracts by objectives that the company presents later on.

With regard to Corticeira Amorim's operational activity, the company is structured into five distinct Business Units, as mentioned in the description of the company, and each of them is then coordinated by the Executive Committee. All Business Units have their own Board of Directors, in which they have executive and non-executive members, as well as an Executive Board. Within the Business Units, the executive management is the responsibility of independent professional managers, that is, the Chairman of the Board of Directors does not assume the executive direction of the same, this is the responsibility of the CEO of the Business Unit itself.

In this sense, we see that the Board of Directors of Corticeira Amorim is responsible for approving the objectives, strategic initiatives and priority actions across the entire organization, as well as each Business Unit, with the due collaboration of the respective Executive Boards. In the image below, there is a visual representation of how the business management structure is currently organized.

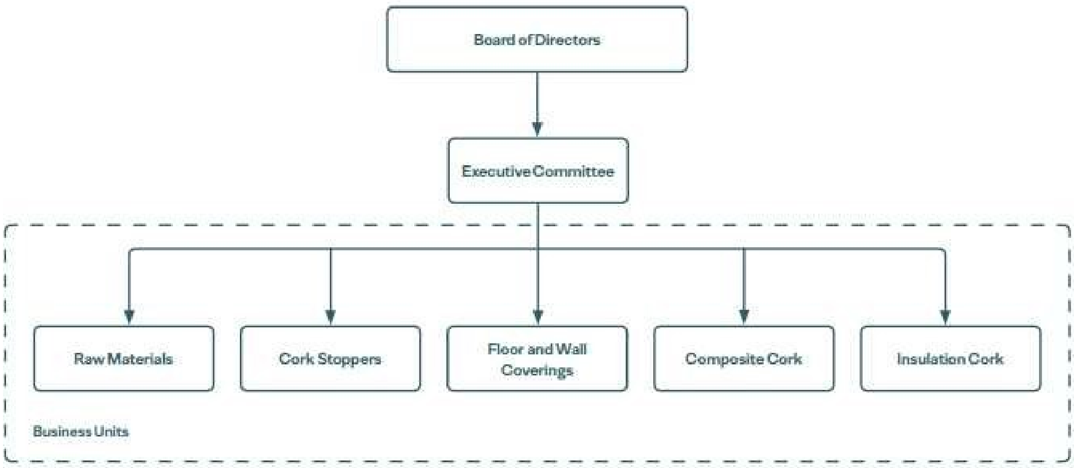

Figure 3- Business Units

We then see that each of those responsible, together with a team that they deem appropriate, will have to outline a set of initiatives to close the gap between the current situation and what is the future destiny of the company. Dr. Almeida ended up mentioning that the initiatives themselves are formed in smaller model processes that can range from actions to continuous improvement processes. It ends up creating a focus on 15 or 10 objectives and a set of some initiatives with precise goals in terms of objectives, but also with timelines and resources and impacts associated with each of the initiatives. This can be seen in a later section of the case with reference to an example of SAP implementation.

With regard to the monitoring and coordination of the activities of the Business Units and the respective functional areas, the support areas are included in the plan, which are monitored by the Executive Committee. The activities of the support areas are periodically reported to the Executive Committee, and their activity is monitored by an Executive Director.

It is also important to verify if the tool itself ends up working as a tool for communicating the strategy to all employees and how the company's internal communication works in the dissemination of objectives.

In Dr. Almeida's view, not all employees are aware of the strategy, not only because they are unaware of it, but also the vehicle that interprets it may not be understood. Corticeira Amorim has in many places, in the places where the teams work meetings, the strategic map, as the map is printed on the walls of the Business Units, functioning as a form of informal communication. This is suitable for those who understand, as it ends up facilitating the transmission of necessary information, as well as reducing the number of communications between employees, as the strategic map helps, through its visual representation. Dr. Almeida mentions that it is a "myth" that all people in the organization know the strategic map. However, all the heads of the business units know and that later in their day-to-day they can, based on their knowledge of the strategic map, and the indicators and objectives and initiatives, explain how each of the teams can contribute to its function.

Dr. Almeida sets an example in the area of coverings, in which there is the production of flooring and wall coverings, so it is important to make employees aware of the quality of the products and the look that comes from it, due to the exposure that the product presents to your customers. This is to say that one of the relevant strategic objectives of this area is then the customer satisfaction rate, allowing to verify that a high satisfaction rate is synonymous with the quality of the product presented and inherently will affect the question of the company's own strategy. This translate the customer perspective in a sense that, the company takes into account the customer´s perception, meaning they want their needs to be met and one of the metrics plays out to be the customer satisfaction rate. Not to mention other concerns that they might have such as quality of product which the company tries to ensure. By inherently trying to taking into account the customer perspective, internal processes come into action. This happens because the purpose of this perspective is to excel key processes to add value to customers and as well to their shareholders.

In a second phase, we verified the tool alignment process, which is a cascaded process, and the process itself was not sudden, that is, it was a continuous involvement of the different layers of the organization with the time in which it intends to serve the purpose of alignment, which in turn the company has to communicate.

With this, the company intends that there is a capacity on the part of the first line of management to explain to the different levels of the employees, why those are the strategic objectives and more importantly, how the daily activity of the employees, of each of the areas, can impact different objectives.

Dr. Fernando Almeida exemplifies, mentioning that in the Floor and Wall Coverings business unit, the visual appearance and quality of the product are essential for the sale of the product. It is important that the employee understands the relevance of the required quality as well as the whole process that comes with it, as well as the question, for example, of efficiency, that is, if the company has to be competitive in the global world of floors, how does an employee at his job have fewer rejections and guarantee quality.

Therefore, what actually happens is some indicators intended to measure a set of events, which can then be broken down into more operational indicators that can be perceived. For example, if the company knows that in order to improve the level of service, it is aware that it is essential to reduce the average processing time of a certain order. Therefore, it is possible to verify that the alignment can also be done through actions, as well as through the linking of indicators.

Depending on the cascading process, which is a process of organizational unfolding, in which there is the determination of objectives and the construction of initiatives that will affect these same objectives and the indicators for each of the initiatives are also defined, the company monitors the process and cares to give feedback on how the results are.. Therefore, there is a regular concern to give feedback on how the results are happening within the organization. More specifically, Dr. Almeida mentions that there is a regular concern to give feedback at least quarterly, to verify the results within the organization. This control ends up being carried out, as already mentioned, by the Executive Committee with the help of the support areas, and this process is also supervised by an Executive Director.

Notwithstanding what has been said, employees all end up having goals, but that does not imply that everyone has indicators to measure them. It is not feasible for a company of the size of Corticeira Amorim and with the number of employees that represent the company, for all the people in the organization to have performance indicators and goals, because it would involve a high level of complexity. The company then adopts objectives by group, the groups end up being constituted by several functional areas (production, sales, purchases, etc), which are shared by everyone and everyone knows that they have certain objectives and goals, within their functional area, to achieve and you have to monitor it. The company has a monitoring system in which the objectives are linked to the day-to-day of the workers, being somehow linked to the more global objectives of the company, so here there is also a cascading of objectives of action indicators. So, the logic is always the same, but they do not go into the detail of the person, but at the level of the project or process.

In other words, Amorim uses the performance assessment tool a lot, which basically aims to align the strategy, which is normally every 4 years and then detailed at the annual and quarterly level, a contract of objectives and that at the end of the year gives a prize and that is directly linked to the performance that one has in these objectives. For example, there is a team that was in charge of implementing SAP within the company and its business units, where the team itself had a team objectives contract, the contract being annual and they had 4 objectives, these objectives were evaluated and the maximum performance level was 120%, this value being for when a team exceeded the expected. At the end of the year, they were evaluated on these 4 objectives and had a financial bonus, which represented about 10% of the gross annual salary of the worker or else they could not have a bonus if they had below 90% of performance as a whole. That is, if the average of the 4 objectives was below the indicated value. Then, depending on the percentage presented, they had different intervals in which the value of the premium was attributed proportionally to the salary of each worker. This was inevitably good for the team to align with what the main goals of the project were. As far as the individual objectives contract is concerned, it was intended for the team-leaders who presided over the functional teams and managers who command in the departments, as well as more administrative positions. This contract of objectives plays a role in the Learning and Growth perspectives as it is one of the points that characterizes this perspective, which is motivation, empowerment and alignment. An employee will succeed if he or she is appropriately motivated and devoted and the creation of incentive as there is on the contract objectives, allows it to be an aspect in motivating and engaging employees in organization´s objectives

With regard to monitoring it, it was clear that when a team objectives contract was defined, this contract was discussed between the main project manager and the team-leaders. They then defined clear ways of calculating the indicator. Through an interview conducted with the company's employee, it is possible to verify that one of the objectives of the employee and his respective functional team was, during the month of January, to carry out an implementation of the SAP system, in one of the company's Business Units, specifically the Amorim Cork. To achieve this objective, it was necessary to take into account indicators such as the deadline, as this was limited to the end of January, with a weighting level of 30% on the result of the objective. The other 70% were then directed towards quality. Quality had several evaluation measures, one of them being the incidents that could occur at the time of implementation of the system (go-live), as well as the consequences that could follow from them. In other words, if something goes wrong in the implementation and it directly affects customers and suppliers, it becomes a problem for the Business Unit Director. By analyzing this situation, it is possible to ascertain a qualitative, quantitative and time component for each indicator provided by the Project Manager and the team-leaders as mentioned above. There is a clear formula for determining a certain objective and then depending on the result a certain percentage of performance is presented.

The linking of objectives, initiatives and actions is linked to a plan of objectives by functional area, where at most the six main objectives for the following year are explicit. Each objective has an indicator and a target, then it has a weighting scheme for each of these objectives in total. This scheme has a way of evaluating the execution of each one of them and this in the end will give a performance index, which is associated with a reward system. However, it is made only for the managers and middle managers. In other words, Corticeira Amorim covers around 200 to 300 people. The variable remuneration can be attributed, for example, to members of the Board of Directors resulting from factors such as the assessment of short-term performance and the contribution of annual performance to the medium/long-term economic, social and environmental sustainability of the organization, and their respective amount is analyzed by the Remuneration Committee in view of the performance of the same members. The performance system is associated with a certain level and scale that the company defines, which then results in the attribution of a performance bonus, although there may still be strike levels (non-attribution), according to what Dr. Almeida reports and how can be verified above in the contract of objectives per group and the same applies for individual objectives.

That is, there is no direct link and association to the Balance Scorecard in terms of meeting factory workers' objectives, but there is a system of rewards or productivity awards, with traditional process objectives. It is verified that, with regard to the factory population, indicators such as the number of products produced, the worker's productivity per hour, as well as the inactivity time of the same.

However, it should be mentioned that regardless of the performance measures that may exist, the company at the end of each year always ends up offering a bonus, monetary incentive, to all workers. It should be mentioned that the purpose of gratification refers to rewarding based on the company's overall results. The amount to be distributed to all employees is fixed and may vary from year to year. This does not exert any kind of influence on the objective evaluation logic of a position. The distribution is made to everyone “across the board”, as Dr. Almeida says.

Chapter 3
Conclusion

Reiterating the analysis of the case and the review of the exposed literature, it is then possible to identify some answers to the questions that were initially formed.

Regarding the process used by the company in the implementation of the BSC, it was possible to take into account its use, as Kaplan and Norton refer, allowing the adoption of the tool, achieving longevity with it. Through a continuous adoption of the tool from 2004 to the present day. The structure by which the company defines itself is well formulated through its mission, vision and values, with the company having a clear understanding, as Sinha (2006) refers, of the intentions of how the company defines itself considering itself the largest producer of cork. Taking this into account, a process that demonstrates clarity in achieving the objectives to which the company is committed becomes essential. Hence, after analyzing the case, it was possible to verify that the definition of objectives passes through each of the company's Business Units, and it is up to the Board of Directors to discuss the proposals that the BUs present on strategies, initiatives and goals to be implemented. All this goes through an approval process in the board of directors. Through this process, in order to verify compliance with the objectives, they are subject to periodic (quarterly) monitoring established by the company. Kaplan and Norton mention this point, stressing that the Balanced Scorecard model is essential in the formulation, implementation and monitoring of objectives. Further on, after each year of activity, each Business Unit reassesses the established objectives and goals, through the Executive Management of each company. Bearing this in mind, Werner and Xu (2012) mention that for an organization to have a business strategy that is effective, it is then necessary to have one foot in the present, such as assessing the prospects for the future, not only seeing what happens internally, but also also externally with rivals and the market. This follows the parallelism established by Fernando Almeida, which reveals the importance of wanting to shorten the distance between the current situation in which the company finds itself in the present and what is reserved for a future destination.

Addressing the question that refers to the way in which the organization is able to form the alignment between the strategic objectives and its employees, it goes through two components that have a presence in the tool, namely communication and the company's strategic map. Communication is essential for understanding the purpose of the worker, it is not something that is essential for everyone, but it is important for the contribution of each one. Niven even states that it isn´t enough just for big executives and upper echelons to understand, otherwise the company with not succeed in their goals. This said, effectively verifying two types of communication within the company, a more informal communication for workers of lower hierarchies, letting them know what needs to be done in the face of what is expected by them and then we have communication with higher hierarchies where there is a more structural component and a more detailed communication even with the help of the strategic map, in which its understanding is essential. This is because, according to Kaplan and Norton, the strategic map allows aligning the defined strategy with the respective control systems, business units that the company has, as well as all the processes established by everyone. Therefore, this alignment always starts with those responsible for understanding what is mentioned in the strategic map, so that they can then explain to lower hierarchical members what they are asked to do.

Finally, answering the last question, about whether there is a relationship between the achievement of goals and the reward system that the company practices. The organization is able to form the alignment between the strategic objectives and its employees, identifying two ways to do so, in a formal and in an informal way. Formally, the company has a contract of individual and team objectives for employees who are in certain hierarchical positions, in which the definition and fulfillment of their objectives influences certain strategic objectives of the company, with the employee himself being aware of it. The use of objective contracts by the company turns out to be an investment on their part, creating incentives for employees to fulfill the proposed objectives. This perspective is seen through Banker (2006) as an organizational investment. While informally, when we talk about people who work in the manufacturing department, for example, their actions will eventually influence certain objectives defined by the company, but there is no contract of objectives for these members. It turns out that there is a transmission of information that is only necessary to carry out the work to be carried out, and the BSC tool does not have any influence on these employees. It can be seen that objective-based contracts for employees of certain hierarchical positions then allow for a reward based on the percentage of compliance with the same. The reward is monetary and adjusted to the salary of each employee.

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Appendices

Appendix I- Interview questions with Dr. Fernando Almeida

1. To what extent does the Balance Scorecard help Corticeira Amorim´s operations?

   The first question is based on the Balanced Scorecard and, above all, trying to understand how the instrument helps in the operation of Corticeira Amorim. It was possible to verify that, according to Dr. Fernando Almeida three essential components emerged to answer this question.

   In a first phase, it was necessary to identify the reason behind the use of the instrument. In 2004, the year in which the company's first strategic map was created, it resulted from the company's need to think a little beyond the longevity of the year. Therefore, Corticeira Amorim came to the conclusion that something was needed to help reflect the organization's strategy, and the Balanced Scorecard was a very attractive form at the time and still is, according to Dr. Almeida mentions. The organization wanted to be able to succinctly summarize the strategy in a simple way, in reality the strategy map is nothing more than a visual representation of the company's strategic objectives on a page. Dr. Almeida mentioned and I quote that it turned out to be a “Columbus egg” (something very difficult to accomplish, it seems very easy after it is done), in the logic of starting to build from the top down, and operationalize from the bottom up, being then a very attractive approach.

   In 2004, they were at the beginning of the implementation of the BSC, which reached its peak around 2012. The instrument, according to Dr.

Almeida, on the one hand, helped to make the strategy tangible through objectives that people could understand, such as a more facilitated form of communication. The Doctor. Almeida says that in addition to being a strategy operationalization tool, the strategic map was an instrument of communication and alignment of objectives within the organization so that the largest number of people could then understand why the objectives are strategic , as well as an explanation of why the company has objectives in terms of processes that will influence it.

In a second part, it is to understand the Balanced Scorecard by itself, that is, the company wanted a set of indicators that would allow fundamentally to measure and monitor the process in relation to the strategic objectives. This helped to actually pragmatize the goals for the proposed objectives. The Doctor. Almeida gave an example saying that "increasing sales" was different from saying "increasing sales by 3% to 5%", whatever the size, so it forces people to commit to those goals and leads to then these goals are cascaded within the organization to contribute to each of the areas.

The third part, and according to Dr. Almeida, the most important, is the action plan, to make sure that the initiatives, programs and projects are really inserted. It is the most relevant activity for the company in terms of alignment, because the company's practice is to ask or indicate to people what is the difference between where the company is and where it actually intends to go. Each one of those responsible, together with the team he deems convenient, will have to outline this set of initiatives to try to close the margin that exists between the current situation and what is the future destiny. This then allows the initiatives themselves to form into smaller model processes, either in actions or in continuous improvementprocesses.

There is no doubt that one of the great advantages of the BSC isfocus. The focus is on a set of 10, 15, 20 goals and a set of 8, 9 or 10 initiatives with precise goals at the level of the goals, but also with time lines and resources and impacts associated with each of the initiatives.

2. Do you use the Balanced Scorecard to communicate the strategy to all employees?
   Doc. Almeida answered this question with a simple example. If you ask a factory worker if he knows, for example, the strategic map, the answer would be no. He mentions that this situation, that everyone in the organization knows the strategic map, is a “myth”. It's not that companies don't do it, but there is a difference between advertising and understanding it. The Doctor. Almeida says that Corticeira Amorim has a strategic map in many places, where the teams work meetings, so people can't say they don't know, if they know what it means, or if it was ever explained to them, it's a totally different aspect. However, they try to make all the managers aware and that later in their day-to-day they can, based on their knowledge of the strategic map, and the indicators and objectives and initiatives, explain how each of the teams can contribute to its function. The Doctor. Almeida gives the example in the coatings area (one of the business units), it is something that can be seen anywhere, that is, when going to a restaurant or a cafe, the probability of finding Amorim products in the establishment is high, and it is important that people understand the care they have to take with the quality of the products, with the look among other aspects. This is to say that it will have an impact on a relevant strategic objective that is the customer satisfaction rate or even any other and inherently will affect the question of the company's own strategy.

3. To what extent does the use of the Balanced Scorecard contribute to the alignment of employees with the organization´s strategic objectives?

Now, the alignment process is a cascade process, not being able to make a sudden process, so you have to go involving the different layers of the organization over time, and Dr. Almeida comments that there is a cascade that implicitly intends to serve the purpose of alignment, which in turn the company has to communicate. If communication takes place and eventually people understand, it is then a question of whether the communication processes are effective or not. What is intended is for the first line of management to be able to explain to the different levels of the employees why those are the strategic objectives and more importantly, how the daily activity of the employees, in each of the areas , can impact different objectives. The Doctor. Almeida gave a practical example of this situation. In one of the business areas where flooring is produced, the visual issue, quality among others, is important, which turns out to be one of the objectives defined by the company. The explanation of the objective is then possible to be made to any operator. Mention the relevance of the quality and cleanliness of the products, as well as the question, for example, of efficiency, that is, if the company has to be competitive in the global world of flooring, how can an employee at his workplace manage to have less rejections and guarantee quality. What usually happens is that some indicators that intend to measure a set of events, manage to be broken down into more operational indicators that can be perceived. Therefore, alignment can also be done through actions, as it can also result through the link between indicators. For example, if the company knows that in order to improve the level of service, it is aware that it is essential to reduce the average processing time of a certain order. This is all to say that the company has a "line of sight" between a strategic objective and a company objective. There are some that are more successful than others, because a lot depends on the people who are in the middle of the process and the communication itself. Well, Dr. Almeida says that a person can communicate very well or very poorly and the problem is not the worker's understanding, but the superior's and his ability to explain. Therefore, this is the relevance given to the strategic map and to the objectives and understanding, which is its ultimate purpose.

4. What are the measures and initiatives taken for this same alignment?
   Doctor Almeida mentions that, in addition to the cascading process, there is a follow-up, that is, there is a concern to give feedback on how the results are, to find out what might be going well or even what might be going wrong and later see what needs to be corrected. Therefore, there is a regular concern to give feedback at least quarterly on how the results are happening within the organization, now the communication mechanisms are varied. But this effectively is already the responsibility of certain areas such as the areas of internal communication that are specialists in this area, in order to ensure that the means to communicate, let's say the objectives and initiatives are understood by everyone.
5. What tools are used to monitor employee performance indicators?
   Doctor Almeida mentions that there is a tendency to say that all company employees have goals, this is true, all of them having indicators to measure these goals is already different. The Doctor. used a standard customer service example to justify this situation. While in a shared-services company, responding to customers, they are monitored by the number of calls made, the same will not be done by Corticeira Amorim, that is, they will not aim for people to answer the phone after a certain number of calls. The company thinks that it makes more sense to have objectives per group, whatever the definition of the group, whether the functional area, process or any other, that are shared by everyone and everyone knows that they

have certain objectives and goals to achieve and you have to monitor it. The company does not think it is feasible for all people in the organization to have performance indicators and goals, because this has a high level of complexity. The company chooses to have a good complete monitoring system and, according to Dr. Almeida, is not "time-consuming or cumbersome", in which people see themselves in the objectives of their projects and, above all, know what they can do to contribute to those objectives, which are normally objectives linked to the daily lives of workers. , being somehow linked to the more global objectives of the company, so there is also a cascade of objectives of action indicators here. So the logic is always the same, but they do not go into the detail of the person, but at the level of the project or process.

6. What type of financial and non-financial incentives are offered to employees in view of the achievement of objectives?

The linking of objectives, initiatives and actions is linked to a plan of objectives by functional area, where at most the six main objectives for the following year are explicit. Each objective has an indicator and a target, then it has a weighting scheme for each of these objectives in total. This scheme has a way of evaluating the execution of each one of them and this in the end will give a performance index, which is associated with a reward system. The Doctor. Almeida, once again gave an example, mentioning that if a performance system, let's say, is at 5.3, it is associated with a certainlevel, even in the case of having an 8 or even a 3 or none, so there are strikelevels, but it is made only for the bosses and the intermediate bosses. In other words, Corticeira Amorim covers about 200 to 300 people, because the philosophy of the incentive system is not logical, citing Dr. Almeida, from go along, is not a logic of distribution. Another different issue is if the company’s results are good, there is a distribution of a bonus every year, for everyone, but this is an “across the board” distribution, everyone ends up receiving the same amount, but it is not linked a logic of objective evaluation of a position. There are non-transversal organizations, not based on this logic within the organization that have an award system or productivity award, based on a set of very operational indicators. It is found that, with regard to the manufacturing population, these indicators revolve around safety, level of service, among others. And who then have an account, if a worker has a certain amount of premium, but Dr. Almeida says it is “a little abusive” to associate this directly with the Balance Scorecard, as it is a reward system, but with very traditional process objectives. If a worker has to carry out a production process, there is a question of time, a question of resources, therefore, what is normal with industrial performance indicators.

Appendix II- Interview questions with Company Employee

1. What is your position at CA?

   In the first part of the question, the role was a functional management control consultant, in an ERP implementation project that is SAP S/4 HANA, she held the position for 5 years, and also had the BI (Business Intelligence) which are basically the information analysis tools that CA implemented Microsoft Power BI at the time. The second part I had a boss who was Team Leader of the team. The team consisted of two people, functional consultants, plus the team leader. The interviewee has a more corporate role, working for Amorim Cork Services, which is a company that provides services to the entire group, the 5 Business Units, implementing SAP in all Units.

2. What is your knowledge of the company´s BSC? Do you know what it means? How does the company operate under it?

   The BSC theme is not used a lot on a day-to-day basis, as a non-management control team, of course the management control does it, it is more aware of the word and that concept. But the interviewee's team was not from the normal management team, in the background the team provided SAP implementation services to the management control teams. They didn't use the term BSC much, what was used a lot at Amorim is contracts by objectives, where everyone knows what it is, of course when we get to more operational levels, as a factory operator, you probably won't know about it. . But at least in the staff, everyone knows what a objectives contract is, because at Amorim the performance evaluation tool is used a lot, which basically aims to align this strategy, which is normally every 4 years and then is cascaded to the annual and quarterly level, a contract of objectives is defined and that at the end of the year gives a prize and that is directly linked to the performance you have in these objectives. In the interviewee's team, they had a team objectives contract, the contract being annual and they had 4 objectives, these objectives were evaluated and the maximum performance level was 120%, but according to the company's calculation methods it would be noticeable to understand this value. Basically, 120% is when you exceed expectations and that is what Amorim wants, to induce ambition and for employees to be more than what they would be. At the end of the year, they were evaluated on these 4 objectives and had a financial bonus, which represented about 10% of the annual gross value or they could not have a bonus if they had below 90% of performance as a whole. That is, if the average of the 4 objectives was below the indicated value. Then, depending on the percentage presented, they had different intervals on which the value of the prize depended. This was inevitably good for the team to align with what the main goals of the project were. This is because on a day-to-day basis the team consisted of about 40 people. On a day-to-day basis, each one had their more individual goals, more of the functional team itself, because when we talk about about 40 people, it was from various functional areas (production, sales, purchases, etc). each one had more of their team or individual goals. And having a team objectives contract required, for example, if the time had come to fulfill that objective, even if he had to do something else, the employee will give priority to fulfilling that objective. This sometimes gets into a bit of conflict of interest, because on a day-to-day basis you have to fulfill your duties and sometimes you feel that the contract of objectives just because it gives a prize, is taking precedence over everything. But it's not quite like that, that contract of objectives, was made with a purpose looking at the long term. It is a person to be able to think that the project has a useful life of 4 years and the annual objective contracts are so that the employees at the end of the 4 years have managed to achieve what was the initial objective. In this sense, it is very useful to use contracts by objectives that certainly derive from a BSC. That is, it ended up having a direct influence with regard to the main objectives of the BSC through thecontract by objectives.

3. Are you aware of the company´s strategy? Do you know what it means?
   The interviewee's team has, in the background, project or program objectives that are 4 years and are divided into several smaller projects of 6 or 8 months. And they know those clear goals. At the beginning of the year, the team holds a meeting with the project management and the project committee, which basically explains the objective for that year. For example, implementing SAP in Spain, Italy and France and it has to be implemented in the BU of raw materials, corks and others and it will be in a certain month. Basically, there is a defined strategy for that plan, now it was not consolidated in the strategic map. The strategy map is mostly used for business units. A person from a BU has more visibility of the strategic map. When the interviewee went to the BU, in the management control departments, she saw the strategy map printed on the walls, functioning as a form of informal communication.

4. Is the achievement of objectives done individually or are there group objectives?
   From an informal point of view, she is evaluated daily by the contact she has with the manager. There was a lot of feedback, and it was important for management to be able to give informal feedback. From a formal point of view, they had a contract for team goals, and there was also a contract

for individual goals, and the interviewee was not at a hierarchical level that could have that same individual contract, but the team-leader already had it, because he was in an almost directing position. For example, it is not normal for the interviewee to have a group objectives contract. Many colleagues who were in the NU who came from college did not have it and this generated competitiveness, because people do not understand why the interviewee has a contract with group objectives and the person at the NU does not. But this is exactly because the interviewee is on a project, as she has clear goals with clear timings. A person has to deliver, for example, a SAP implementation project where you have to guarantee that on day X, SAP is working, because if not, suppliers are dependent on it, as are customers, so they have a contract of objectives per team

5. How are those same objectives monitored?
6. It was quite clear, because when a team goals contract was defined, this contract was discussed between the main project manager and the team-leaders. They then defined clear ways of calculating the indicator. For example, they said, imagine that the objective is to implement SAP at Amorim Cork in the month of January, so we have a question of deadline, and this deadline covers 30% of the objective and another 70% is quality, because then, being so is the number of critical incidents that occurred in the go-live, the critical incidents is something that went wrong, but that is critical by the director of the BU, because it had interference with customers and suppliers, or because, for example, a truck was stopped without managing to ship the corks. In other words, they had a qualitative, quantitative and time component for each indicator, there was a clear formula, to say that in a certain objective they had a performance of a certain percentage. And then, depending on the average of the objectives,

there was then an interval that was representative of a certain premium to be received.