

THE BUSINESS ARMONICO™: A NEW MODEL TO GO OVER THE BALANCED SCORECARD

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ABSTRACT

PURPOSE

Technology's and industry's competitive world have changed dramatically in the last century (Kravets, 2017; Hyun Park et al., 2017). The increasing competition of markets allows firms to adopt new strategies to maintain their competitive power and interest (Saeidi et al., 2015) on the market. As a matter of fact, strategic planning in organizations, both in big companies and in small and medium enterprises (SMEs), has had a direct impact on business performance and business evaluation (Wolf and Floyd, 2017). This theoretical model was devised by Kaplan and Norton in 1992 and refined in their further publications (Kaplan and Norton, 1993; 1996a; 1996b; 2000; 2001), describing the Balanced Scorecard (BSC) as a performance measurement characterizing by using both financial and non-financial measurement to evaluate all aspect of an organization's operations in a cause-and-effect fashion to ensure that all of them are linked with the organization's overall objectives (Weygandt, 2012). Despite the BSC gives great results in large companies, in SMEs is not largely adopted yet (Tapinos et al., 2011; Malagueño et al., 2017). The main reason of this is the scares empirical evidence of effects through only a few case studies (Malagueño et al., 2017). The aim of the present paper is to explore how this new Business Performance Measurement Systems (PMS) could give an added value to all the SMEs and start-ups in the Italian area, and in particular, how the Business Armonico™ covers the gap existing in the literature review referring the use of a performance measurement made for Small and Medium Enterprises. To analysze deeper these aspects the present work has the follow research question:

QR: How the Business Armonico™ could give a performance and team measurement for Italian SMEs?

So, this study has allowed authors to implement some aspects of the model as the communication between workers and chiefs, the daily and weekly planning and the margin contribution on decision making, going over the classical model of the BSC.

METHODOLOGY AND METHODS

Starting from a deep analysis of the international literature review on performance measures, in particular those applied in the SMEs, the research has been conducted on a sample of Piedmont companies, which have applied this method in the various steps, thanks to the evaluation of performance with a particular interest for SMEs. Data gathered are presented in the exploratory single case study, because in single case theory is more parsimonious, generalizable (Eisenhardt and Graebner, 2007) and its hypotheses are very easy to test and measure (Eisenhardt, 1989).

In this context the Business Armonico™ comes from some exploratory analyzes conducted by Progesia™, which saw the involvement of some entrepreneurs. What has emerged is the disorganized and unbalanced way of working to the four strategic areas of investigation, i.e. innovation, marketing, finance and management. These areas were managed in a disconnected way and the entrepreneurs normally intervened on a single strategic area when this one arrived in an emergency. After two more phases of development and experimentation, the management model of the Business Armonico™ was devised, designed to help SMEs to innovate themselves, maintaining internal balance with varying external conditions. The connection between each of the four macro strategic areas creates further eight micro business strategic areas, i.e. leadership, market surveys, strategies, negotiation and sales, cash flow, turnover, personnel and time management. At this point the company has two different objectives to be achieved in a synergistic way: (a) Performance Objectives, (b) Connection Objectives.

The first one is aimed at maintaining the corporate balance of the strategic areas at the level of maximum potential that can be expressed by the company, while the second one is aimed at achieving results in terms of sales and innovation as a connecting point between corporate action and market needs. The management model of the Business Armonico™ is applied in the business realities through a specific intervention moment called "RADICE", structured in six modules in which the company is assisted in the analysis of the 168 strategic points, examined within the Executive Summary, of the Overview of the Interior, the External Overview, the Action Line and the Performance Objectives, all reported in the final Balancing and in the Operating Plan of the Connection Objectives. Specifically, Balancing is a document prepared by the consultant who followed the company in the RADICE intervention, where the necessary data were collected to evaluate the current imbalance / balance of the company compared to 1000 in 1000. The state of imbalance / balancing offers the opportunity to detect the critical issues and the problems to process and effectively define the intervention strategy oriented towards the harmonious growth.

FINDINGS

This study explores critically the effects of the Business Armonico™ towards SMEs. Results show the significance of this model in the implementation of the BSC and the returns in term of revenues by the SMEs, which have englobed this new model in their strategy.

LIMITATIONS

Despite these important implications, this paper presents some limitations, which could be implemented in further researches. First of all, even if the case study method is very useful to give a deeper and very testable analysis of theory (Eisenhardt and Graebner, 2007), it has some weaknesses due to the difficulty to make a generalization of contents and to describe moreover idiosyncratic phenomena (Eisenhardt, 1989). Secondly, a quantitative analysis could be carried out to investigate which variables could be influenced by this model and the possible interrelation and dependency by them.

ORIGINALITY

According to Authors', the originality of this research is that the Business Armonico™ could go over the model of the BSC, thanks to its adaptability to all type of companies and its implementations in team communication.

PRACTICAL IMPLICATIONS

Moreover, it brings very important theoretical and managerial implications to SMEs and to academical point of view. First of all, as just said, it goes over the theoretical model of the Balanced scorecard created in 1992 by Kaplan and Norton. As a matter of fact, it was used as a strategy-focused approach to performance management, including strategic objectives and performance measures in a hierarchy of areas, such as financial, customer, internal processes, and innovation. The strategic objectives and performance measures within the balanced scorecard framework are derived from the vision and strategy of the organization (Frigo and Mark, 2012). The Business Armonico™ improve this model, making a deeper analysis of all the enterprises' areas (Innovation, Finance, Marketing, Management), including eight new sub-areas, that are leadership, market surveys, strategies, negotiation and sales, cash flow, turnover, personnel and time management. Managerial implications are due to the questionnaire and interviews Progesia™ has had with enterprises, which have followed the different steps of this models (Mastermind, Radice, Elite). Indeed, these ones have been an increase on the contribution margin and in their revenues.

Keywords: Business model; Balanced scorecard; SMEs; Performance; Piedmont; Innovation.

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