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Journal of Administrative Science

Biannual Publication, Vol. 7, No. 14 (2026) 1-5

ISSN: 2683-2119

The Balanced Scorecard as a Tool for Strategic Control in Organizations: A Case Study

El Cuadro de Mando Integral como herramienta para el control estratégico de las organizaciones: un estudio de caso

Roberto Estrada Bárcenas [a], Tirso Javier Hernández Gracia [b], Danae Duana Ávila [c]

Abstract:

Management Control Systems play a fundamental role in the strategic direction of companies; however, traditional models have limitations in the information they provide. In this context, the Balanced Scorecard emerges as a strategic alternative by integrating financial and non-financial indicators, allowing for a more balanced management approach aligned with organizational objectives. This research aims to examine the feasibility of the Balanced Scorecard as a management tool in a medium-sized service company through a case study. The results reveal that, while the company has experienced significant growth in recent years and holds a certification endorsing its adoption of best practices, it still lacks essential elements for the effective implementation of the model. Nevertheless, a modular and progressive implementation of this tool could generate significant benefits in strategic management, optimizing decision-making and strengthening the company's competitiveness.

Keywords:

Management Control Systems, Balanced Scorecard, SMEs.

Resumen:

Los Sistemas de Control de Gestión desempeñan un papel fundamental en la dirección estratégica de las empresas; sin embargo, los modelos tradicionales presentan limitaciones en la información que proporcionan. En este contexto, el Cuadro de Mando Integral surge como una alternativa estratégica, al integrar indicadores financieros y no financieros, permitiendo una gestión más equilibrada y alineada con los objetivos organizacionales. Esta investigación tiene como objetivo examinar la viabilidad del Cuadro de Mando Integral como herramienta de gestión en una mediana empresa de servicios, mediante un estudio de caso. Los resultados revelan que, si bien la empresa ha experimentado un crecimiento significativo en los últimos años y cuenta con un distintivo que avala la adopción de mejores prácticas, aún carece de los elementos esenciales para la implementación efectiva del modelo. No obstante, una implementación modular y progresiva de esta herramienta podría generar beneficios significativos en la gestión estratégica, optimizando la toma de decisiones y fortaleciendo la competitividad de la empresa.

***Palabras Clave**:*

Sistemas de Control de Gestión, Cuadro de Mando Integral, PyME.

Introducción

Recent economic conditions have highlighted the limitations of traditional management control systems, as they do not always provide sufficient information for effective decision-

[a] Roberto Estrada Bárcenas, Universidad Autónoma del Estado de Hidalgo, Instituto de Ciencias Económico Administrativas, Pachuca de Soto, Hidalgo, México, https://orcid.org/0009-0000-6783-2483, Email: roberto_estrada3019@uaeh.edu.mx

[b] Tirso Javier Hernández Gracia, Universidad Autónoma del Estado de Hidalgo, Instituto de Ciencias Económico Administrativas, Pachuca de Soto, Hidalgo, México, https://orcid.org/0000-0003-0425-0800, Email: thernan@uaeh.edu.mx

[c] Danae Duana Ávila, Universidad Autónoma del Estado de Hidalgo, Instituto de Ciencias Económico Administrativas, Pachuca de Soto, Hidalgo, México, https://orcid.org/0000-0003-2286-2843, Email: duana@uaeh.edu.mx

Received: 04/02/2025, Accepted: 25/09/2025, Published: 05/01/2026

DOI: https://doi.org/10.29057/jas.v6i12.14506

making (1). In this context, Management Control Systems (MCS) are key tools for strategic management, as they enable monitoring, evaluation, and alignment of business objectives with operational actions (2). However, in many companies, particularly Small and Medium Enterprises (SMEs), MCS are often absent or poorly implemented (3).

Kaplan and Norton proposed the Balanced Scorecard (BSC) as an alternative that incorporates financial and non-financial indicators, balancing organizational performance (4). Although its effectiveness has been widely analyzed in large corporations (5), evidence of its impact on SMEs remains limited (6). Nevertheless, studies have shown that, with adaptations, the model can improve management and performance in these types of organizations (7), consolidating itself as a useful tool for strategic management.

This research aims to examine the feasibility of the Balanced Scorecard as a management tool in a medium-sized service company through a case study. This document is structured as follows: the first section analyzes the literature on MCS and BSC, both in the context of large corporations and SMEs. Subsequently, the model's limitations are discussed, and finally, the study's conclusions are presented.

Management Control Systems

Companies operate in an uncertain environment that demands more information for management and decision-making (8). In this context, MCS play a key role in aligning strategy with operational performance, facilitating data-driven decision-making (2). Their effectiveness depends on the organizational context, company size, and the adopted strategy (9). Moreover, a well-designed MCS enhances motivation and performance by providing clear objectives and feedback (10). Carrión highlights that its greatest contribution is generating a continuous learning process, allowing for strategies more aligned with reality (11). Consequently, MCS are essential for improving performance, strategic alignment, and decision-making, contributing to sustainability and competitiveness in complex and dynamic markets. Within this context, the BSC emerges as an option.

The Balanced Scorecard

Various strategic tools have been developed to support leaders in strategy formulation, execution, and control (11). The BSC is one of the most widely used management tools for measuring and improving organizational performance (5). Since its introduction by Kaplan and Norton, the BSC has demonstrated its usefulness in translating strategy into concrete objectives through financial and non-financial indicators, providing a comprehensive business perspective (12). Its importance lies in facilitating the alignment of strategy with daily operations, ensuring that all areas of the organization work in the same direction (4).

The BSC enables organizations to align their objectives with their vision and strategy using four key perspectives: financial, customer, internal processes, and learning and growth. These perspectives establish key performance indicators that measure progress and strategy effectiveness in each area. Additionally, the BSC uses strategy maps, which graphically represent the cause-and-effect relationship between the objectives of each perspective, allowing for a better understanding of how actions in one area impact overall organizational outcomes (4). One of its main advantages is that it overcomes the limitations of traditional models based solely on financial indicators, incorporating key dimensions such as customer satisfaction, internal process efficiency, and human capital development (13).

Hoque highlights that implementing the BSC enhances business competitiveness by providing a clear structure for evaluating strategic progress (14). Additionally, Parmenter emphasizes that the success of the BSC depends on the proper design of key performance indicators, which must be aligned with strategy to ensure effective results (15).

Other research has analyzed the effective application of the BSC in different organizational contexts. Davis and Albright conducted a study in community banks and found that institutions implementing the BSC achieved better financial performance compared to those that did not (16). Malmi, studying its use in Finland, found that companies understanding the connection between their perspectives obtained better strategic decision-making results (17).

In the public sector, Northcott and Taulapapa analyzed its implementation in New Zealand government agencies, concluding that the BSC enhances transparency and performance management when adapted to institutional objectives (18). Finally, Hoque emphasized that the success of the BSC depends on its integration with other control systems and its alignment with organizational culture (14). These studies highlight that, while the BSC can be an effective tool, its impact depends on its proper application and adaptation to each business environment.

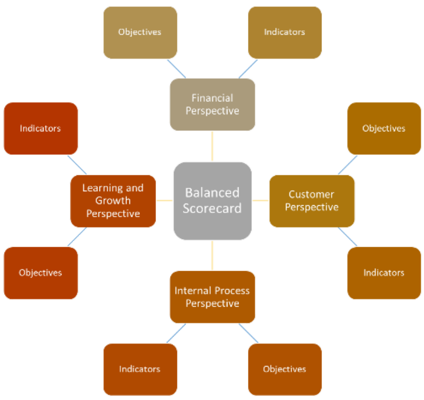


Figure 1. Perspectives of the Balanced Scorecard, objectives, and indicators, own elaboration based on Norton and Kaplan.

The Balanced Scorecard in SMEs

The potential benefits of the BSC in large companies have been widely documented (19). However, the literature presents a limited number of theoretical and empirical studies on its application in smaller businesses. Nevertheless, some research focused on SMEs has identified specific advantages and particularities in its design and implementation (20).

Fernandes *et al*. (7) emphasized that the BSC contributes to improving strategic planning and operational efficiency, although its success depends on adapting the model to the specific needs of each organization. In this regard, Argüello and Quesada conducted a theoretical analysis of 23 scientific articles, 12 theses, and 8 technical documents on the subject, concluding that BSC implementation varies in aspects such as the number of stages, chronological order, required economic resources, number of activities, and execution time (20). Their findings suggest that the particular characteristics of small businesses can be leveraged for model implementation, although the process may differ from the original approach.

Gumbus and Lussier concluded that the BSC is a viable model for SMEs, as it can generate benefits similar to those observed in large companies (6). Key contributions include: 1) fostering growth by focusing on strategic rather than operational results; 2) enabling performance tracking at both individual and collective levels; 3) prioritizing key aspects by selecting indicators aligned with strategy; and 4) clarifying goals and objectives. Similarly, Jiménez *et al*. (21) found that BSC implementation can positively influence SMEs' innovative development, facilitating intellectual capital management and promoting innovation, which contributes to competitive advantage generation.

Limitations and Criticism of the Balanced Scorecard

Although the BSC is widely used in organizations, the model has faced various criticisms since its creation (5). One of the main critiques is the lack of a solid theoretical foundation supporting the causal relationship between its perspectives, which has been questioned by Norreklit, who argues that the connections between measures are not always logical or applicable to all organizations (22).

Additionally, some studies have noted that its implementation can be complex and costly, limiting its adoption in SMEs. Moreover, it is often applied partially, preventing organizations from obtaining all its benefits (23). Another criticism focuses on the subjectivity in selecting indicators. Chiang and Lin highlight that companies struggle to define appropriate and strategy-aligned metrics, reducing model effectiveness (24). Finally, Nielsen *et al*. (25) argue that the BSC needs updating due to changes in business models and the growing need to incorporate sustainability and digitalization metrics. These criticisms suggest that, although the BSC remains widely used, it requires adaptations to meet current business management needs.

Methodology

This study adopts a qualitative approach based on a case study to assess the feasibility of implementing the BSC as a management tool in a medium-sized service company. The case study methodology has been widely used in research on organizational change, management processes, innovation, and business structure (26).

The case study focuses on a medium-sized tourism company located in Tecozautla, Hidalgo, Mexico, which holds the "M" distinction, a recognition granted by the Mexican Ministry of Tourism that certifies the adoption of best practices and excellence in tourism management. Over the past five years, the company has experienced significant growth, increasing management complexity and decision-making challenges. Consequently, this study examines the feasibility of proposing the BSC as a tool for management control.

Data collection was conducted through in-depth interviews with both employees and executives. While interviews with employees provided insights into internal processes and strategy implementation, interviews with executives offered a more detailed and strategic analysis, enabling an understanding of key decision-making factors, management challenges, and opportunities for improvement. In total, four interviews were conducted with executives and six with employees.

Results

To analyze the interview data, the Atlas.ti version 20 software for Windows was used. The analysis was conducted using the semantic network technique, consisting of: 1) Identifying relevant information segments from the interviews; 2) Creating a series of codes and groups; 3) Relating concepts in semantic networks; and 4) Generating graphs derived from the analysis. Below are the key findings from this analysis.

The results indicate that, although the company has a document integrating its mission, vision, and objectives, planning remains predominantly informal, lacking key elements such as clearly defined objectives and structured monitoring mechanisms. Despite the willingness expressed by managers, a lack of knowledge about planning processes and time constraints have hindered the development of a more systematic and rigorous approach. This situation may lead to more reactive than strategic decision-making, limiting the company's ability to adapt to environmental changes and seize new growth opportunities. Strengthening formal planning could contribute to consolidating its differentiation strategy and improving resource management efficiency (4).

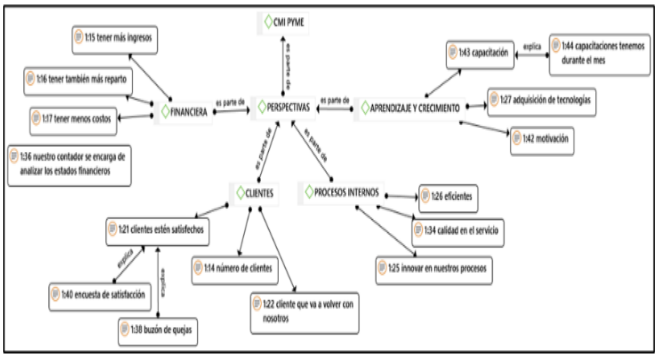
From a BSC perspective, the results reveal that the company lacks a comprehensive vision that equally considers financial and non-financial aspects. According to the executives, the vision is predominantly centered on financial aspects, emphasizing goals such as "increasing revenue" and "boosting profits" without a clear connection to other key business management dimensions. Regarding internal processes, while obtaining the "M" distinction has strengthened quality and best practice implementation, this effort is not aligned with a global strategy effectively integrating continuous improvement across all company areas. Similarly, the customer perspective is not well-defined, limiting the identification of market needs and expectations, as well as the learning and growth perspective (4).

From the BSC perspective, the results indicate that the company has few key performance indicators, primarily focused on financial aspects, without proper integration of metrics across other strategic dimensions. Although managers mentioned existing indicators such as "*customer satisfaction surveys*," "*complaints and suggestions box*," and "*number of training sessions per month*," these lack clear measurement and tracking criteria, limiting their usefulness as decision-making tools (12).

The absence of well-structured, strategy-aligned indicators may stem from the lack of clear and measurable objectives, hindering the assessment of implemented actions' real impact (12). Additionally, the predominance of subjective indicators limits the company's ability to diagnose improvement areas and establish effective growth strategies. To enhance management, the company could benefit from implementing a balanced indicator system incorporating specific metrics to evaluate not only financial performance but also customer satisfaction, internal process efficiency, and organizational development, thereby improving its competitiveness and sustainability in the market (24).

Considering the above, implementing the BSC could help the company overcome the limitations of its current management approach, providing a structured framework for strategic planning and performance monitoring (4). By integrating clear indicators across the four key perspectives (financial, customer, internal processes, and learning and growth), the company could improve data-driven decision-making, optimize resource utilization, and align efforts with well-defined strategic objectives. Additionally, the BSC would facilitate a more balanced and comprehensive business vision, strengthening adaptability to competitive environments, enhancing customer satisfaction, and fostering internal innovation. With a more structured and measurable strategy, the company would not only increase profitability but also consolidate its market position through more efficient and sustainable management.

One of the main disadvantages of implementing the BSC, as noted in some studies (23), is that its adoption can be complex and costly. However, as proposed by Papalexandris *et al*. (27), implementation can be carried out modularly: 1) Project preparation; 2) Strategy clarification; 3) Selection of key performance indicators; 4) Development of the BSC matrix; 5) Implementation; and 6) Formal review of implementation.



Semantic Network 1. Perspectives, objectives, and indicators, own elaboration based on Atlas.ti, version 20.

Conclusions

This study has examined the feasibility of the Balanced Scorecard (BSC) as a strategic management tool in a medium-sized service company. Based on the findings, the following conclusions can be drawn:

Firstly, there is a need to formalize planning processes. Although the company has a document integrating its mission, vision, and objectives, planning remains predominantly informal. The absence of clear strategic objectives and structured monitoring mechanisms limits decision-making, reducing the company's ability to adapt to a constantly changing competitive environment.

Additionally, the management approach is predominantly financial, focusing on increasing revenue and improving profitability. However, this perspective lacks balance with other key BSC dimensions, such as customer satisfaction, internal process efficiency, and organizational learning, restricting comprehensive and sustainable management.

Moreover, the company does not have well-defined key performance indicators across all strategic dimensions. While some metrics, such as satisfaction surveys and the number of training sessions, exist, they lack clear measurement and tracking criteria, limiting their effectiveness as decision-making and continuous improvement tools.

Nevertheless, implementing the BSC could strengthen the company's strategic management by providing a structured framework for planning and performance monitoring. By integrating balanced indicators across the four key perspectives, the company could enhance data-driven decision-making, optimize resource use, and align efforts with well-defined strategic objectives.

Since BSC implementation can be a complex and costly process, it is recommended to adopt it in a modular and progressive manner, structuring the process in distinct stages. This approach would allow for a smoother transition and reduce operational barriers. Proper BSC implementation would not only improve operational efficiency and decision-making but also enhance the company's competitiveness by improving its market adaptability.

In conclusion, while the company is not yet fully prepared for immediate BSC implementation, a gradual adoption could yield significant strategic benefits. The key to success lies in developing a structured approach that aligns objectives, integrates key indicators, and fosters a management model balancing financial and non-financial outcomes.

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