

THE POSSIBLE USE OF BALANCED SCORECARD IN THE DUE DILIGENCE PROCESS FOR M&A TRANSICTIONS

Ivo Hristov

Ph.D in Business and Management at the Department of Management and Law
Tor Vergata University of Rome

Antonio Chirico

Associate Professor of Accounting at the Department of Management and Law
Tor Vergata University of Rome

Abstract

This paper focuses on the Due Diligence phase and on instruments of performance management and in particular, on the role that the Balance Scorecard (BSC) could have in this phase. This tool has become increasingly important not only in terms of performance measurement but also as a mean to support the strategic management and alignment of companies. Through the BSC it is possible to define the mission and vision of a business, its short-term operational objectives and long-term strategic ones. Indeed, the BSC makes the business evaluation coherent through the assessment of performance management indicators which are linked to specific objectives, measures and initiatives. What is more, one of the key features of the BSC which makes it a powerful tool is the opportunity to interrelate prospects and objectives, generating improvements on various fronts. In fact, if from a theoretical point of view emerges, with the analysis of the literature, the possibility to use this tool in the above manner, it is necessary to check the feasibility from a practical point of view. To this end, we have developed a questionnaire that has been sent to 83 Italian managers with 3+ years of experience in the Corporate Finance, Strategic Consulting and Management Consulting areas. With the questionnaire we will try to give an answer to the research question, trying to find out evidence from the responses of managers who approach M&A transactions regularly. We believe that the testimonials of their work experience can be a solid base to derive some interesting conclusions about the possible application of the Balanced Scorecard for the management of extraordinary operations. In conclusion, the current study can be considered a starting point to investigate more deeply companies involved in M&A deals. Moreover this study focuses exclusively on balanced scorecard. It would be also appropriate to apply this approach to other performance management tools to understand the relationship between performance management tools and M&A transactions. Future research might use alternative tools to validate our results.

KEYWORDS: balanced scorecard, due diligence, M&A

1.0. Introduction

One plus one makes three: this is probably what managers and investors expect to obtain when they decide to undertake a merger or an acquisition between firms. The complexity and crucial role of M&A has led us to explore the key factors which characterise the deal valuation process and the strategic planning of these operations. The creation of value through synergies is the main issue in M&A, and there is a strong belief that this can be pursued through these transactions. These are complex and involve many parties, include many issues and require the application of valuation and analysis tools to evaluate the decisions. In fact, despite the attractiveness of M&A, there are numerous challenges which may impact the success of these. The rate of unsuccessful operations in past years highlights the potential lack of integrated approach to deal valuation and planning Pursuing new synergies remains one of the key objectives of mergers and acquisitions (M&A) aimed at creating value. Extraordinary operations, and in particular M&A, result from management decisions to expand a business through external growth. These types of operations represent an opportunity for businesses to respond to continuous challenges in an evolving global market. Buying other companies it's a strategy that can lead to a more competitive and cost efficient business model, helping to gain a greater market share or to achieve greater efficiency. M&A are considered attractive under different aspects

including the prospect to extend the business beyond existing lines into new strategic areas and to gain the “know-how” of target companies as well as the opportunity to acquire a company which is undervalued by the market. Even in the middle of the financial crisis of 2008, where banks and financial institutions were facing difficulties and credit restrictions, more and more “share for share” deals are being proposed and effected. The complexity and crucial role of M&A has lead us to explore the key factors which characterise the deal valuation process and the strategic planning of these operations. The BSC allows management and consultants to set the ground for strategic changes, generating strategic and operational benefits. Through the BSC, it is possible to assess the company vision, the monitoring process and performance valuation within the same framework. The adoption of the BSC delivers strategic benefits at different business levels, including the efficient allocation of resources and integration of the management process. Based on these considerations, we explore the applications of the BSC in relation to strategic planning and analysis of potential synergies which is performed within the Due Diligence phase, taking into account various aspects of the integration plan and its implementation. Mergers and Acquisitions are surely a matter of strategy and decisions making for what concerns the entities involved. Both Bidder and Target firm need to make considerations about future strategy and opportunities, but also threats, deriving from the eventual deal. However, in this dissertation we want to analyse these aspects from the bidder point of view. The road leading to the completion of a merger or acquisition transaction consists in a long and complex process. Of this whole process, of particular relevance for the purposes of our discussion are the phases concerning strategic planning and deal evaluation, from different points of view. Those phases aim at defining the possibilities of success of the M&A deal and the integration between the companies involved in the transaction and consequently the possible future profits that will arise. The strategic planning and management of the same therefore plays a vital role since the beginning of the operation, in the phase of study and careful analysis that characterized the pre - acquisition process. As planned during this phase, should be then implemented in the post-operation phase and continuously monitored. This, in order not to deviate from the strategy outlined or to reverse conscientiously the course if you do not get the desired results. As presented previously, with regard to the pre-acquisition phase, all this happens with the due diligence, phase characterized by careful analysis of all the operation variables under different points of view, and in which the future strategy is studied and planned, verifying the feasibility of alignment between the strategic plan of the operation and the desired outcomes. In other words, it is a way to test the feasibility of the whole transactions. Planning and strategic alignment are extremely complex, in particular as regards merger or acquisition, even more if it concerns cross border transactions, where even more variables come into play. The phase after the closing of the transaction is clearly influenced directly by the strategy planned in the pre-acquisition/merger phase, and the proper integration of the two entities, which often determines the future success or failure of the operation, should be managed in accordance with the strategies defined in the previous stage of planning and analysis. In fact, M&A deals represents a very popular means to establish external growth, but they do not always result in a success.

2.0. Literature Review

Various scholars agree on the fact that many of these transactions result in a failure. Lajoux found out that approximately half of the transaction results in a failure while Sirower even worst number, with a percentage of un-success of 70 percent. A study conducted by Zangwill illustrate that in the pre-acquisition phase, only the 20 percent of acquiring company had analyzed how to integrate the target. Often attention is paid to the deal-making phase, paying attention only to number, losing sight of the whole transaction. In order to investigate the causal relation between decision making and performance, Cording, Christmann, and King suggested that the identification of intermediate goals that are sequential steps between integration decisions and acquisition performance can reduce intrafirm linkage ambiguity. In other words, this mechanism aim at clarifying the causal relation between decision-making and performance. These authors found out that intermediate goal achievement had an important mediating function. They break down the complex causal chain between integration decisions and acquisition performance into more manageable segments. However, it seems that there is a lack of integral approaches method, which are not focalized only on financial measures, but that extend the analysis on the whole transaction aspects. Grotenhuis (2010) proposed a framework for M&A deals based on the Balanced Scorecard approach. The article wanted to provide an insights in mergers deriving from different lessons learned into a framework inspired by Kaplan and Norton's Balanced Scorecard. He conducted two case studies and drawn different lessons. It is necessary to remember that, according to Kaplan and Norton the “four perspectives should be considered a template, not a strait jacket.” The balanced scorecard may be adjusted to any specific context. This context can vary depending on countries, sectors, industries and situations, as for example merger and acquisitions. According to Grotenhuis it seems that financial

measures are also not enough for decision making in mergers and acquisitions. There are other relevant factors that should be considered in the decision making process, in order to gain a balanced overview of the situation and to better manage changes to bring about success. In his article, Grotenhuis categorizes different processes of M&A deals in different perspective similar to the Balanced Scorecard. The author developed a modified version of the Balanced Scorecard to be used as a framework for M&A processes. His study were mainly focused on two Dutch- American merger situations, where in the first merger situation an alliance preceded the acquisition of the American company by the Dutch company while in the second merger a customer-supplier relationship preceded the acquisition of the Dutch company by the American company. The author adapted the perspective of the Balance Scorecard to the situation, developing the M&A Scorecard.

Figure 1 - Differences between the BSC and the M&A Scorecard

Balanced Scorecard (BSC)	M&A Scorecard (MAS)
Vision and strategy	Strategy and management
Financial	Finance and synergy
Customers	Customers and markets
Internal business processes	Integration process
Learning and growth	Development

Source: Grotenhuis, F., M&A Scorecard: Lessons From American-Dutch Mergers, Wiley Inter Science, 2010

The “vision and strategy” become “strategy and management” perspective, while “financial” and “customers” become respectively “finance and synergy”, “customers and markets”. The “internal business processes” is investigated in terms of “integration process” while “learning and growth” becomes “development perspective”.

3.0. Methodology

We decided to send a questionnaire to 80 managers and professionals with more than 5 years of experience, working in Italy in the areas of Financial Advisory, Strategic Planning, Management Consulting, but also in the private equity and Investment Banking areas. We contacted them via email. Their contacts were found via LinkedIn, but also through personal and business contacts. The questionnaire sent consisted of 10 questions: 9 multiple choice and one optional open-ended questions, in which it was required a brief opinion on the research topic. To those who have received the questionnaire were given five days to complete it. The questionnaire was structured taking as reference examples of research done by main consulting firm, and in order to conduct qualitative and descriptive analysis of the phenomenon under investigation. In the first part of the questionnaire it was asked to comment on different aspects of the due diligence process in order to understand the actual approach of managers and professionals in this delicate phase of the transaction process analysis. In particular, we tried to investigate those aspects considered most sensitive and that seems most appropriate to the use of the Balanced Scorecard, on the basis of the literature analysis and of the evidence presented during the discussion. In a second part we wanted to verify the actual spread of the BSC, then investigating the knowledge and effective use of the same by the respondents. To those who knew the BSC, it has been required to complete a final section, in which specific questions were asked about the possible application of the same in extraordinary operations.

First of all it has been asked to respondents to indicate their current employer and their position held at work. However, we did it for us in order to get a better idea of the results. The questionnaire can be divided in four sections:

- **Section 1** is composed of two multiple choice questions (1-2) and investigate which of the different aspects of the due diligence are commonly considered the most important and which are believed to be the most neglected, although considered quite relevant.
- **Section 2** is composed of three multiple choice questions (3-4-5) and the focus moves to the Balanced Scorecard. First of all we were interested about the spread of the BSC in Financial Advisory area. Therefore, we test the level of knowledge of this tool, as well as its actual application and diffusion.

- **Section 3** is composed of four questions (6-7-8-9). It represents the central part of the questionnaire investigating directly issues related to the research questions. This section should be compiled only if aware of the BSC. It has been asked to the respondents to express their level of accordance with the statement proposed in each question. The level of accordance vary from 1 to 5:
 - 1 = absolutely not agree
 - 2 = not agree
 - 3 = partially agree
 - 4 = agree
 - 5 = absolutely agree
- **Section 4** is an open ended question where respondents can express an opinion regarding the research topic.

4.0. Research Findings

4.1. Section 1

The first question received 22 answers. According to the responses, the aspect that more than the others is subject to more attention is the Strategic Planning, receiving 16 preferences (73% of the respondents). It is followed by Financial Aspects, with 15 preferences (68%) and by Analysis of possible Synergies, with 12 preferences (55%). It is important to notice that no one indicated Organizational Aspects(0%).

Here below summarized the results of Question 1.

To what aspects of Due Diligence usually you devote more attention? (Please select 3 choices)		
Analysis of possible synergies	12	55%
Integration plan	7	32%
Strategic planning	16	73%
Commercial aspects	5	23%
Operational aspects	7	32%
Legal aspects	2	9%
Financial aspects	15	68%
Organizational aspects and HR	1	5%
Organizational Culture	0	0%
Intangible assets and know-how	3	14%
Other	0	0%
TOTAL RESPONDENTS	22	100%

The second question received 22 answers. According to the responses, the aspect that more than the others is commonly most overlooked, but that need more attention, is Organizational Culture receiving 14 preferences (64%). It is followed by Organization Aspects and HR that received 9 preferences (41%) and Analysis of Possible Synergies and Integration Plan, both with 7 preferences(32%).

Here below summarized the results of question 2.

In your opinion, what aspects of Due Diligence considered are commonly overlooked, but would need more attention?

(Please select 3 choices)

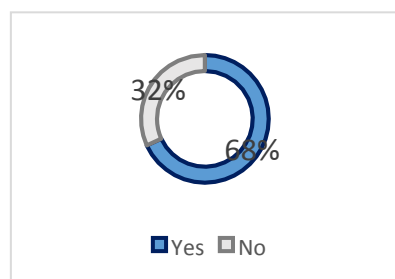
Analysis of possible synergies	7	32%
Integration plan	7	32%
Strategic planning	4	18%
Commercial aspects	5	23%
Operational aspects	6	27%
Legal aspects	2	9%
Financial aspects	3	14%
Organizational aspects and HR	9	41%
Organizational Culture	14	64%
Intangible assets and knowhow	6	27%
Other	1	5%
TOTAL RESPONDENTS	22	100%

4.2. Section 2

The third question received 22 answers. According to the responses, it is possible to say that more than half of the respondents know the Balanced Scorecard, precisely 14 (64%) of the respondents.

Here below summarized the results of question 3.

Do you know the Balanced Scorecard?		
Yes	15	68%
No	7	32%
TOTAL RESPONDENTS	22	100%

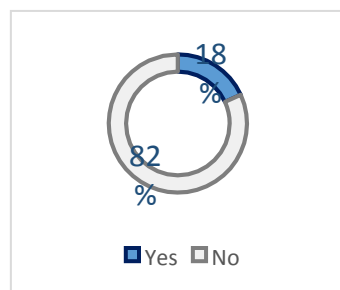


The fourth question received 22 answers. According to the responses, only 4 out of 22 respondents (18%) have used the Balanced Scorecard. In order to understand better this outcome, we have deepened the

argument in question five.

Here below summarized the results of question 4.

Have you ever used the Balanced Scorecard?		
Yes	4	18%
No	18	82%
TOTAL RESPONDENTS	22	100%



Question five received 18 answers. As said before, the purpose of this question is to better understand the motives of such a non-use of the BSC. According to the responses, 39% of the respondents have never had the opportunity to use it, but would use the Balanced Scorecard. 33% of the respondent have never heard of it, while 17% consider it as a valuable tool, but not appropriate for its type of work.

Here below summarized the results of question 5.

If not, why?		
I have never heard of it	6	33%
I have never had the opportunity to use it, but I would use the Balanced Scorecard	7	39%
I have never had the opportunity to use it and I would not use the Balanced Scorecard	2	11%
I think it is a valuable tool, but not appropriate for the type of work that I do	3	17%
other	0	0%
TOTAL RESPONDENTS	18	100%

4.3. Section 3

The sixth question introduces the link between the Balanced Scorecard and M&A transactions. Here we wanted to test in general what professionals think about the BSC used as a framework for a balanced deal evaluation. This question received 15 answers. According to the respondents, the tendency is to generally agree with the statement, with 14 out of 15 (93%). 5 of them agree (33%) and 9 of them (60%) partially

agree.

Here below summarized the results of question 6.

Part of the literature considers that the Balanced Scorecard can be adapted and used as a reference frame in M&A to promote a more balanced analysis of the different factors. Do you agree with this statement?

(absolutely Not) 1		0%
2	1	7%
3	9	60%
4	5	33%
(Absolutely Yes) 5		0%
TOTAL RESPONDENTS	15	100%

Question 7 wanted to investigate the possibility to use the BSC as a tool for strategic planning in M&As. It received 15 answers. According to the responses, 87% of the respondents generally agree with the statement, considering that 47% of them attributed 4 out of 5 as level of accordance (agree), and 40% chose 3 (partially agree).

Here below summarized the results of question 7.

In your opinion, the Balanced Scorecard, when used as a reference frame in M&A, could be a valuable support for the strategic planning of the operation?

(absolutely Not) 1	1	7%
2	1	7%
3	6	40%
4	7	47%
(Absolutely Yes) 5	0	0%
TOTAL RESPONDENTS	15	100%

Question 8 wanted to investigate the possibility to use the BSC as a tool for Integration planning in M&As. It received 15 answers. According to the responses, 93% of the respondents generally agree with the statement, considering that 53% of them attributed 4 out of 5 as level of accordance (agree), 27% chose 3 (partially agree), and 13% selected 5 (absolutely agree).

Here below summarized the results of question 8.

In your opinion, the Balanced Scorecard, when used as a reference frame in M&A, could be a valuable support for the definition of the integration plan?

(absolutely Not) 1	0	0%
2	1	7%
3	8	53%
4	4	27%
(Absolutely Yes) 5	2	13%
TOTAL RESPONDENTS	15	100%

Question 9 wanted to investigate the possibility to use the BSC as a tool for the whole Due Diligence process in M&As. It received 15 answers. According to the responses, 80% of the respondents generally agree with the statement, considering that 33% of them attributed 4 out of 5 as level of accordance (agree), 47% chose 3 (partially agree).

Here below summarized the results of question 9.

In your opinion, the Balanced Scorecard, when used as a reference frame in M&A, could be a valuable support for the whole Due Diligence process?

(absolutely Not) 1	0	0%
2	3	20%
3	7	47%
4	5	33%
(Absolutely Yes) 5	0	0%
TOTAL RESPONDENTS	15	100%

4.4. Section 4

Question 10 gave the possibility to respondents to express briefly opinions and considerations about the research topic. Only 3 out of 22 respondents decided to comment.

Here below the comments leave by respondents.

Any comments and considerations on the possible use of the Balanced Scorecard in M&A transactions (optional)

"The Balanced Scorecard applied to M&A can be useful only for big transactions"

"The BSC is a management control tool that aims to monitor the Company's performance. Therefore it can certainly be useful as a tool 1) in the initial phase to define and plan the objectives of the operation and 2) subsequently to monitor the same."

"The BSC is a system to measure the achievement of predetermined objectives. Its role is subsequent to the strategic planning phase, it should be before (re) defined the idea of value and the business model on which to identify the core challenges. The core challenges are then declined in a number of objectives, measurable with a monitoring tool such as BSC. Preceding the measuring instrument to the definition of the strategy can easily lead to losing sight of the big picture and focus on measures that do not help to achieve the strategic objectives."

5.0. Comments on Questionnaire Results

The respondents to the questionnaire are mainly partners, managers and professionals who occupy senior positions for large companies of consulting, but also investment banks, major corporations and private equity funds. The response rate was 28% (22 of 80), a result that we consider significant considering the type of qualitative research and the target audience. We will comment on the results by section, and then make a general comment that summarizes the results of the questionnaire as a whole.

5.1. Section 1

As for section 1, the results show a great attention from the managers to the strategic planning of M&A transactions. Even the financial aspects emerge as determinant factor in these operations. As for the analysis of possible synergies, although it in the first question emerges as second factor to which more attention is paid, in question 2 appears as a third major factor most neglected and needing attention. From here we can conclude that on the one hand Managers seem to devote much attention to the analysis of the possible synergies arising from this type of operations, on the other it emerges the need to give perhaps even more so. The most overlooked aspects are rather those related to the organization and corporate culture, as well as human resources. From the analysis of the results of this section we might conclude that, given the central role of strategic planning in this type of transaction, the Balanced Scorecard, also established itself as a strategic planning tool, it may be a useful tool capable of helping this delicate phase of operations in object. It can also be a valuable tool for giving greater consideration and to include in the strategic planning aspects that according to the questionnaire appear to be the most neglected. It should be recalled that the question required specifically to indicate those aspects which are believed to be neglected but need more attention, therefore considered as absolutely relevant factors by respondents. It should also be pointed out that the BSC was developed to broaden perspectives of traditional measurement tools and performance management, focusing precisely on such factors as the intangible assets, human resources and organizational factors.

5.2. Section 2

Section 2 reveals a widespread knowledge of the Balanced Scorecard. However, although 68% of respondents know this tool, only 18% used it directly. From here we can deduce that the instrument does not appear to be commonly used in this type of operations in the area of financial advisory in general. However, of those who have never used, a 39% say they have never had the occasion to use it, but that

would use it, while 17% even recognizing it as a valuable tool, not deemed it suitable for this type of operation. The variety of answers to this question probably depends on the peculiarities of the work of each individual respondent and on their background of previous experiences. For example, a person with a background in the area of management control, may have been considered more appropriate to apply the BSC for M & A, in particular so if it follows the stage of due diligence where the possible fields of application appear to be various.

5.3. Section 3

On section 3 it should first be noted that only those who knew the BSC had to respond. The total number of respondents to this part of the questionnaire passes from 22 to 15, coherently with the number of those who said they knew this tool. From this section we get a basically positive response with respect to the possible use of BSC in M&A transactions. In fact, the use proposed by us of this tool is a reference framework capable to complement the traditional methods of analysis and planning to better manage the complexity of this type of operations. 60% of respondents said he partially agree with this type of proposal, which added to the 33% that agreed, lead us to conclude that about the use of BSC in these operations there is fertile ground, also seen that only 7% were at odds.

Focusing in particular on the different areas of application we have identified, as regards the strategic planning there is a good number of respondents, 47%, who believes that it is suitable for the use of the BSC, and another 40% is declared in partly agree. Clearly, those who know the Balanced Scorecard knows the potential of this instrument in terms of strategic planning, helping to define the mission and vision, as well as objectives and methods to measure their achievement. The alignment and strategic planning in fact, is fundamental to the operations of M&A, and have access to a tool that can help in their definition can be decisive. As regards the definition of the integration plan, we have obtained even more positive results. 13% of respondents said he was absolutely convinced of the possibility of using the Balanced Scorecard in the definition and management of the integration plan. Another 27% were agreed and 53% were partially agree, for a total of 93%. Surely here it has been taken into account the main original feature of this tool: that of a tool for management control. With respect to the integration plan, in addition to work as a reference for its definition, the BSC may also be beneficial to verify and manage the effective implementation of it after the closing of the transaction. With reference to the process of Due Diligence as a whole, 47% were partially agree on the possible use of the BSC as a support tool in this phase, 33% agree. However, compared to the two previous questions, the percentage of those in disagreement is most relevant. Presumably the BSC is considered more suitable for certain types of due diligence, such as strategic, operational, organizational, while for other types of Due Diligence, as the purely legal or financial, possible fields of application are reduced. However, in agreement with the results, we can conclude that there seems to be a good willingness of professionals to implement the BSC in this phase of the M&A operations, but mainly for specific issue, such as strategic planning and definition and management of integration plan.

5.4. Section 4

From comments left in section 4 by 3 of the 22 respondents to the questionnaire, it should be emphasized that all three show positive attitude to the use of the BSC in extraordinary operations. The first comment emphasize the fact that the proposed used of the Balanced Scorecard can be useful, but only for large operations. The second comment is perfectly aligned with our research proposal, highlighting the fact that the BSC, being a corporate performance monitoring tool can definitely be useful in this type of operations both in the initial stage, to define and schedule objectives of the operation, and then to monitor the same. The last comment however, shows critic over the use of the BSC as a tool for strategic planning in this type of operations, considered that it instead may have an effective role only in a subsequent step, to monitor the objectives and measure them in integration phase.

6.0. CONCLUSIONS

The analysis primarily highlights the central role of M&A strategies for growth and business development. The research clearly shows an increasing trend towards this type of operation, capable of bringing several advantages. In any case, prove to be extremely complex operations for several reasons, in particular as regards the cross-border transactions. The strategic planning of the operation must be aligned with business strategies, it is necessary to accurately determine the objectives to be achieved through the acquisition or merger of the company, to check if the feasibility and prepare monitoring. The analysis of the possible synergies, as well as the integration plan, are closely related to the strategic planning of such operations. In this regard Due diligence as a whole appears as a central part of the process leading to the conclusion of the deal, composed of different phases. From the analysis of the literature and data collected from surveys of KPMG, the importance of the evaluation of aspects related to the organization, to the values and business strategies, often overlooked, but increasingly influential role in the success of these operations, especially with respect the integration between the companies. The Due diligence should then estimate the actual value derived from the proper integration between the entities and verify the possibility of achieving it. For this reason, particular attention should be paid on organizational and cultural Due diligence, focusing on factors as strategy, culture, leadership, competences, organizational structure and processes. This effort is essential to test if entities are compatible, resulting as a factor that can determine the failure or success of the deal. The information collected in this phase can be crucial in evaluating the final decision regarding the target company. In literature many Authors evidence the fact that due diligence process is one of the key factor for long term success of M&A deals. In this regard, the ductility of the Balanced Scorecard makes this tool adaptable to the needs that arise in this delicate phase of analysis and planning of the deal. The ability to act as a management control tool, but also as a framework for strategic planning and alignment of strategies, enhances the adaptability with respect to the different needs that arise in M&A transactions. In particular, it could help the management to lead a more balanced and integrated analysis of the different factors. The literature has not expressed many positions in this regard, but from what analysed, there appear to be several possible fields of application of this instrument in the operations of M&A, ranging from the possibility of using it for determining the equity value, up to the possibility of seeing used both in the pre-deal evaluation, both in the integration management phase post-deal. The possibility to use it also becomes more concrete, given the apparent limitations of traditional approaches, geared mainly to the evaluation of the economic and financial aspects. The questionnaire we proposed was aimed at investigating precisely the main areas of application of the BSC in this type of operations, with a particular focus to the stage of due diligence, which we have considered the most suitable for using this tool. From the analysis of the results, it emerges an open position from manager for the use that we proposed. Integration planning seems the aspect that most of all is suitable for application of BSC. However, also about strategic planning positions seem to be favourable. It therefore appears that rather than being used in the process of due diligence in general, the Balanced Scorecard is suitable to a specific application to restricted at certain stages of the same. Additionally worth mentioning the fertile soil that seems to be compared to the use of the BSC as a management tool and control post-deal integration. However, the main benefits of using this tool for the operations of M&A would be to have a solid reference framework for strategic planning of complex corporate actions, which has already proven its effectiveness with regard to business management ordinary. The need to define clear and achievable objectives before making a major strategic decision, like that of undertaking a merger or acquisition fits perfectly with the basic idea of the scorecard, or to define the mission and vision, identifying the critical factors of success, align them with measurable objectives, which reflect the different perspectives of the business. The Balanced Scorecard is known to be a flexible tool, adaptable to different types of situations. The main change in this case would be to revise the four typical perspectives of the BSC and the related indicators, applying no longer to a single entity. There are, however, limits with respect to this type of use of the BSC. First, the instrument itself has limitations. Moreover, from what emerges from our research, this type of instrument would be suitable only for large transactions, thereby narrowing the scope of the same. However, with our research we tested the ability in theory to adapt

the Balanced Scorecard to extraordinary business operations, and the results show a good tendency of professionals to accept this type of instrument. However, it did not reveal a clear position in this regard on the part of respondents, who said they were fairly partially agree. Probably not convince fully the idea of using this tool typically used for the control of management for the planning of complex strategies. However, the spaces seem to be there, and the strength of this tool is the ability on the part of those who used to continually update its scope. That of M&A transactions is certainly fertile ground.

Brief biography of each author

Ivo Hristov is Ph.D in Business and Management at the Department of Management and Law - Tor Vergata University of Rome. Its main research field concerning Performance Management - Management Accounting - Merger and Acquisition. Teaching experience in Accounting and Managerial Accounting at Tor Vergata University of Roma.

Antonio Chirico is Associate Professor of Accounting at the Department of Management and Law - Tor Vergata University of Rome. He is a PhD in Banking and Finance and Coordinator of the Master of Science Program in Economics and Management. Its main publications concerning the research fields of Accounting, Management Control and performance analysis of business organizations and groups. He teaches Financial Accounting and Managerial Accounting at Tor Vergata University of Roma. He teaches also Auditing at Luiss "Guido Carli" University of Rome.

REFERENCES

Angwin, D., Mergers and Acquisitions across European Borders: National Perspectives on Pre-acquisition Due Diligence and the Use of Professional Advisers, *Journal of World Business*, No. 36(1), 2001.

Becker, B. E., Huselid, M. A., & Ulrich, D., *The HR scorecard: Linking people, strategy, and performance*. Boston, MA: Harvard Business School Press, 2001.

Benson M. D. & Shippy J.S., *The M&A Buy Side Process: An Overview for Acquiring Companies*, SRR Investment Banking, 2013.

Bubbio A., *The Activity Based Costing for management of overheads and general expenses*, Liuc Papers n .4 ,Series 1 Business Administration, December ; BUBBIO A. (2002) , *The calculation of activity-based costing. Activity Based Costing* , Milano , Guerini e Associati, 1993.

Busco, C., Saviotti, A., *Misurazione delle performance e Balanced Scorecard: un'indagine conoscitiva*. In: Busco, C., et al., (a cura di) *Governance, Strategia e Misurazione delle Performance. Le nuove frontiere della Balanced Scorecard*. Arezzo: Knowit  Editore, 247-261., 2008.

Buongiorno M., Capra M., *La Due Diligence nelle Operazioni Straordinarie: Funzione, tipologie e modalit  di esecuzione*, *La Rivista delle Operazioni Straordinarie*, 2010.

Buono, A. F., & Bowditch, J. L. *The human side of mergers and acquisitions: Managing collisions between people and organizations*. San Francisco: Jossey-Bass, 1989.

Calipha R., Tarba S., Brock D., *Mergers and Acquisitions: A Review of Phases, Motives, and Success Factors*. *Advances in Mergers and Acquisitions*, 9, 1–24, 2010.

Cording M. , Christman P., King D., *Reducing Causal Ambiguity in Acquisition Integration: Intermediate Goals as Mediators of Integration Decisions and Acquisition Performance*, *Academy of Management Journal*, Vol. 51, No. 4, 2008.

Damodaran A., *Applied Corporate Finance*, Jhon Wiley & Sons Inc., 2004.

- Datta, D. K., Organizational fit and M&A performance: Effects of post-M&A integration. *Strategic Management Journal*, 12: 281–297., 1991.
- Epstein, M., The determinants and evaluation of merger success, *Business Horizons*, Vol. 48, pp. 37-46, 2005.
- Galpin, T. J., and Herndon, M. *The complete guide to mergers and acquisitions*. San Francisco: Jossey-Bass Publishers, 2000.
- Gaughan P.A., *Mergers, Acquisitions and Corporate Restructurings*, Jhon Wiley & Sons Inc., 2007.
- Gole W., Hilger P., *Due Diligence: An M&A Value Creation Approach*. New Jersey: John Wiley & Sons, 2009.
- Gomes E., Angwin D., Weber Y., Tarba S.Y., Critical Success Factors Through the Mergers and Acquisitions Process: Revealing Pre- and Post-M&A Connections for Improved Performance. *Thunderbird International Business Review*, 55, 1, 13–35, 2013.
- Grotenhuis, F. D. J., Patterns of acculturation in technology acquisitions. Unpublished doctoral thesis, University of Groningen, The Netherlands, 2001.
- Grotenhuis, F., *M&A Scorecard :Lessons From American-Dutch Mergers*, Wiley Inter Science, 2010.
- Guatri L., “La valutazione delle aziende. Teoria e pratica a confronto”, Egea, Milano, 1990.
- Hitt M., Pisano V., *The Cross-Border Merger and Acquisition Strategy: A Research Perspective*. *Management Research: The Journal of the Iberoamerican Academy of Management*, 1, 2, 133–144, 2003.
- Hofstede G., Hofstede G.J., Minkov M., *Cultures and Organizations: Software of the Mind*. Intercultural Cooperation and Its Importance for Survival, New York, NY: McGraw-Hill, 2010
- Iannotta, G., *Investment Banking*, Springer-Verlag, 2010.
- IM M&A Survey, Daniel Stewart & Company, pp. 1-20 <http://www.danielstewart.co.uk/Assets/19314/aim%20m%26a%20survey%202009.pdf> (30.03.2012), 2009.
- Kaplan, R. S. and D.P. Norton , *The Balanced Scorecard: Translating Strategy into Action*, Boston: HBS Press, 1996.
- Kaplan, R. S. and D.P. Norton, *Alignment: Using the Balanced Scorecard to Create Corporate Synergies*, Boston: HBS Press.
- Kaplan, R. S. and D.P. Norton, *The Balanced Scorecard: Measures that Drive Performance*, *Harvard Business Review*, 2006.
- Kaplan, S. N., Ruback, R. S., “The valuation of cash flow forecasts: An empirical analysis”, *The Journal of Finance*, 50(4), 1059-1093, 1995.
- Kelly J., C.Cook, D.Spitzer, *Mergers & Acquisitions: Global Research Report*, pp.1-21, <http://www.kpmg.co.uk>., 1999.
- Kim J.-Y., Haleblan J., Finkelstein S., *When Firms are Desperate to Grow via Acquisition: The Effect of Growth, 2011. Patterns and Acquisition Experience on Acquisition Premiums*. *Administrative Science Quarterly*, 56, 26–60
- Kitching, J., *Acquisition in Europe: Causes of corporate success and failure*. *Business International*, No. 2, pp. 20–35., 1973.
- KPMG, *A New Dawn: Good deals in Challenging Time*, www.Kpmg.com, 2011.
- KPMG, *Rapporto Mergers & Acquisitions 2015*, www.Kpmg.com/it, 2015.
- KPMG, *US Executives on M&A: Full Speed Ahead on 2016*, www.Kpmg.com, 2016.
- Lajoux,A.R, *The art of M&A integration: A guide to merging resources, processes, & responsibilities*. New York: McGraw-Hill, 1998.

- Larsson, R., Brousseau, K., Driver, M., & Sweet, P., The secrets of merger and acquisition success: A co-competence and motivational approach to synergy realization. In A. L. Pablo & M. Javidan (Eds.), *Mergers and acquisitions: Creating integrative knowledge*: 3–19. Malden, MA: Blackwell, 2004.
- Li Destri A.M., Picone P.M., Mina A., From “Strategic Fit” to Synergy Evaluation in M&A Deals. *Caspian Journal of Applied Sciences Research*, 1, 12, 25–38, 2012.
- Lubatkin, M., Mergers and the performance of the acquiring firm. *Academy of Management Review*, 8: 218–226., 1983.
- Lucianetti, L. , L’adozione della Balanced Scorecard: i risultati di una ricerca empirica. *Management Control*, 3, 39-66., 2011
- Lucianetti, L. (2004) *Balanced Scorecard e controllo aziendale. Il contributo della scheda di valutazione bilanciata alla gestione aziendale*. Roma: Aracne editrice.
- Mackay, A., *A practitioner’s guide to the Balanced Scorecard*, London: Chartered Institute of Management Accountants, 2004.
- McCann, J. E., & Gilkey, R., *Joining forces: Creating and managing successful mergers and acquisitions*, Englewood Cliffs, NJ: Prentice Hall, 1988.
- Meglio O., Risberg A., The (Mis) Measurement of M&A Performance—A Systematic Narrative Literature Review. *Scandinavian Journal of Management*, 27, 4, 418–433, 2011.
- Moeller, S., Due Diligence Requirements in Financial Transactions, QFINANCE, <http://www.qfinance.com/mergers>
- Olie, R., Culture and integration problems in international mergers and acquisitions. *European Management Journal*, 8, 206–215, 1990.
- Pablo, A., Determinants of acquisition integration level: A decision-making perspective. *Academy of Management Journal*, 37: 803–830, 1994.
- Perry, J., Herd, T., Mergers and acquisitions: Reducing M&A risk through improved due diligence, *Strategy & Leadership*, Vol. 32, Issue 2, pp. 12-19, 2004.
- Picot, G., *Handbook of international mergers and acquisitions: Preparation, Implementation and Integration*. New York: Palgrave Macmillan, 2002.
- Potito, L., *Le Operazioni Straordinarie nell’economia delle Imprese*, G. Giappichelli Editore – Torino, 2016.
- Rosenbloom A., *Due Diligence for Global Deal Making: The Definitive Guide to Cross-Border Mergers and Acquisitions (M&A), Joint Ventures, Financings, and Strategic Alliances*. San Francisco, CA: Bloomberg Press, 2002.
- Rosinski P., Global Coaching for Organizational Development. *International Journal of Coaching in Organizations*, 8, 2, 49–66, 2011.
- Schuler, R., Jackson, S., HR Issues and Activities in Mergers and Acquisition, *European Management Journal* Vol.19, No.3, pp.239-253, 2001.
- Shenkar O., Cultural Distance Revisited: Towards a More Rigorous Conceptualization and Measurement of Cultural Differences. *Journal of International Business Studies*, 43, 1–11, 2012.
- Sirower, M., *The synergy trap*. New York: The Free Press, 1997.
- Sonenshine R., Reynolds K., Determinants of Cross-Border Merger Premia. *Rev World Econ*, 150, 173–189, 2014.
- Trompenaars F., Asser M.N., *The Global M and A Tango: Cross-Cultural Dimensions of Mergers and Acquisitions*. New York, NY: McGraw-Hill, 2010.
- Ulijn J., Duysters G., Meijer E., *Strategic Alliances, Mergers and Acquisitions: The Influence of Culture on Successful Cooperation*. Cheltenham: Edward Elgar Publishing, 2010.

Vaara E., Junni P., Sarala R., Ehrnrooth M., Koveshnikov A., Attributional Tendencies in Cultural Explanations of M&A Performance. *Strategic Management Journal*, 1–33, 2013.

Weber Y., Tarba S., Reichel A., A Model of the Influence of Culture on Integration Approaches and International Mergers and Acquisitions Performance. *Int. Studies of Mgt. & Org.*, 41, 3, 9–24, 2011.

Zangwill, W. I., Models for successful mergers. *Wall Street Journal*, p. A19, 1995.