Marko Kukanja / Tanja Planinc / Anja Žnidaršič

The Interplay Among Restaurant SMEs' Financial, Quality, and Managers' Perceived Business Performance: A Balanced Scorecard Approach

Abstract

The present study aims to test a simplified version of the balanced scorecard (BSC) model for restaurant industry SMEs. This study aims to determine if (I) restaurant managers' perceived business performance correlates to SMEs' (II) actual financial and (III) quality performance. A new variable, *the manager's perceived business performance*, was added in light of the unique characteristics of restaurant SMEs. We hypothesized that all three business perspectives are positively correlated since restaurant managers must have realistic perceptions of SMEs' business performance. A total of 266 questionnaires were obtained from restaurant managers, and 1,330 questionnaires were obtained from restaurant guests. SMEs' official financial reports served as the basis for the analysis of financial data. Exploratory factor analysis and correlation analysis were used to investigate the relationships among the three perspectives. Results indicate that managers' perceptions of business performance are not correlated to SMEs' actual financial performance, and managers have realistic perceptions about the quality of what restaurants offer.

Interestingly, SMEs' financial performance is not correlated to guests' perceptions of quality. Introducing a new internal perspective indicates the incoherence among the three BSC perspectives. Furthermore, using selected variables highlights the necessity of raising the managerial perspective in future restaurant SME studies.

Keywords: restaurant industry, the balanced scorecard, quality, SMEs, Slovenia

1. Introduction

Within the tourism industry, the restaurant industry (also referred to as the food and beverage (F&B) industry) represents the largest sub-sector (Clark, 2021). Sectoral analysis of the accommodation and food service activities in the EU (NACE section I) reveals that in 2019 the F&B subsector (I 56) accounted for 81.4% of all enterprises in the EU's accommodation and food services sector, 76.5% of the persons employed, and 64.1% of the sectoral value added (Eurostat, 2022). The tourism industry is characterized by the predominance of micro, small, and medium-sized enterprises (SMEs). Along with other industry-specific characteristics, the restaurant sector also exhibits a high percentage of family-run businesses with joint ownership and management, seasonal demand, labour intensiveness, low employee education, and a high proportion of fixed costs. These characteristics significantly influence a restaurant firm's business performance (Kukanja et al., 2020).

Each firm competing in the global tourism market aims to succeed in its operations. Therefore, performance measurement is crucial in identifying strengths and weaknesses in business processes. Measures of operational

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performance include both financial and non-financial indicators. However, the analysis of financial indicators (from the owner's perspective) remains the predominant measure of business performance (Kukanja & Planinc, 2020). The modern approach to performance measurement includes other aspects relating to satisfying the expectations of various stakeholders that are (in)directly involved in a firm's business process. Financial data consists of a wide variety of indicators and ratios. In contrast, non-financial data primarily focuses on environmental indicators, employee and customer satisfaction, and product and service quality (Sainaghi et al., 2017).

A milestone in developing performance measurement metrics was the introduction of the Balanced Scorecard (BSC) methodology, developed by Kaplan and Norton (1996). They proposed a set of financial and non-financial indicators that provide a "balanced picture" of a firm's business performance. These indicators are organized around the four perspectives of the BSC: financial outcomes, customer relations, internal business processes, and learning and growth activities. As a result, the BSC has radically changed the way performance is measured by linking the short-term (operational) indicators and performance metrics to the long-term (strategic) ones (Phillips & Louvieris, 2005).

Since its introduction, the BSC has attracted considerable interest from scholars. However, a recent bibliometric analysis by Fatima and Elbana (2020) revealed that little research exists on BSC in the hospitality industry. Accordingly, there is scarce evidence related to restaurant SMEs' performance according to the principles of BSC. Furthermore, there is little evidence for internal business processes and learning and growth activities in the scientific literature, primarily concerned with analyzing restaurant SMEs' financial performance (Rodrguez-López et al., 2020) and the quality of their services (Park & Jeong, 2019). Specifically, in micro, predominantly family-run SMEs, where the manager is very often the owner of the restaurant facility, both internal principles of BSC (internal business processes and learning and growth activities) are directly subjected to managerial (entrepreneurial) decisions.

Moreover, internal practices are challenging in SMEs since the scientific literature does not provide industry-specific indicators for their empirical validation. According to Johanson et al. (2006), the BSC was predominantly developed for medium and large enterprises and not for (micro) SMEs.

Therefore, according to the specifics of restaurant SMEs, we tend to overcome the limitation of the generic BSC model by introducing a simplified and customized BSC model for analyzing and improving restaurant SMEs' business performance, which recognizes the importance of the restaurant manager. In doing so, we decided to replace both internal perspectives of the generic BSC model with a new variable (a new perspective) — *the manager's perceived business performance*. Consequently, we are placing the restaurant manager at the core of the business process since the manager is actively involved in the restaurant's daily operations. As a result, this article aims to examine the relationships between (I) SMEs' actual financial performance, (II) the quality of what the restaurant offers, and (III) managers' perceived business performance. The goal is to test a simplified BSC model for restaurant industry SMEs. We can assume that restaurant managers appropriately optimize SMEs' internal processes and learning and growth activities according to their realistic perceptions of business performance. They aim to meet their customers' quality expectations and achieve their SMEs' financial goals based on the relationships among the three perspectives of the internal and external business environment.

This research is based on analyzing data obtained from primary and secondary sources. Preliminary data relate to measuring managers' perceived business performance (Hallak et al., 2011; Lee et al., 2016; Omerzel, 2015) and guest's assessment of restaurant service quality based on the DINESERV questionnaire (Stevens et al., 1995). Secondary sources refer to the official financial data from the Slovenian Agency for Public Records and Services (AJPES). For this study, only those SMEs that generate operating revenue exclusively from restaurant sales were considered (see also subchapter 3.2).

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2. Theoretical background

2.1. Characteristics of SMEs

In the EU, SMEs employ <250 employees, maintain their annual revenues ≤50 million euros, and/or balance sheet ≤€43 million. For the category of micro-enterprises, they must have <10 employees, and their annual revenues and /or balance sheet total ≤€2 million (European Commission, n.d.).

The contribution of SMEs to the economy is mainly reflected in the creation of new jobs, SMEs' ability to adapt to changes in the business environment quickly, their contribution to reducing inequalities in economic and social development, and their role in boosting market competitiveness and innovation development (Kongolo, 2010).

SMEs depend on very few employees and have a simple business structure. The business owner is often also the manager (the entrepreneur) who oversees all the areas of the company and focuses on long-term stability rather than short-term results. In addition, since SMEs often focus on a relatively limited number of products and services, they tend to have a strong relationship with their customers and business partners, which allows them to be flexible in customizing their products and services to customers' needs. However, size can also be a disadvantage when acquiring business funding since many SMEs rely on the entrepreneurs' assets. Therefore, compared to large enterprises, they are more unlikely to invest in innovations, training, and research (Madsen, 2015).

2.2. The balanced scorecard (BSC)

Unlike the traditional financial performance indicators, which are focused on past activities, the BSC looks forward by balancing financial (lag indicators) with non-financial ones (lead indicators), which are drivers of future performance (Kaplan & Norton, 2001). Therefore, the BSC provides a multidimensional performance perspective across several objectives and stakeholders. The BSC's potential is based on causal relationships between its four perspectives. These causal relationships show that managerial activity focused on increasing the 'leading' indicators will improve the fourth, 'lagging' component (financial outcomes). Therefore, causal relationships are reflected in the fact that proper internal management enables the execution of best (expected) practices, which increases guest satisfaction, resulting in a firm's financial success (Denton & White, 2000).

However, according to Madsen (2015), the knowledge and usage level of the BSC among SMEs remains relatively low.

2.2.1. The customer perspective

According to Phillips and Louvieris (2005), this perspective captures the customer's opinion. In service industries, these measures can be general (e.g., customer retention) or industry-specific (e.g., quality of services). Service quality is crucial in the restaurant industry because it determines the gap between consumers' expectations and perceptions of quality. Accordingly, service quality is described as a service's ability to meet and/or exceed the gap between consumers' expectations and perceptions of quality (Parasuraman et al., 1985). The Five-Step Model of Service Quality by Parasuraman et al. (1985) is one of the most extensively used theoretical concepts in service quality management, as it provides the theoretical foundation for the empirical validation of the perceived service quality based on the 29-item SERVQUAL instrument, which is composed of five quality dimensions (also referred to as RATER quality attributes): Responsiveness, Assurance, Tangibles, Empathy, and Reliability.

Based on the generic SERVQUAL instrument principles, Stevens et al. (1995) introduced the DINESERV tool, which captures the specifics of quality measurement in the restaurant (dining) facilities. Accordingly, restaurant guests agree with each indicator (statement) on an ordinal Likert-type scale before and after the dining experience (the gap score). To facilitate the use of the DINESERV tool, the authors (ibid.) have also

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proposed using the Dineserv. per (performance only) instrument, with which restaurant quality is measured only after the service encounter (Stevens et al., 1995).

We found only a few studies investigating the relationship between restaurant service quality using the DINESERV tool and restaurant financial performance. For example, Kukanja and Planinc (2020) reported that managers' perceptions of service quality significantly vary depending on the restaurant SMEs' operational efficiency and profitability level. In another study, Kukanja and Planinc (2018) investigated the influence of managers' perceptions of service quality on restaurants' operational profitability. The authors found that managers perceive restaurant service quality based on the importance of three dimensions (Empathy, Assurance, and Tangibles), which were not correlated to restaurant operational profitability. The authors (ibid.) ascribed these results to the specifics of the national restaurant industry (e.g., high taxes, low selling prices). Nevertheless, quality is a crucial non-financial indicator for the restaurant industry since it assures guest satisfaction and loyalty (Kukanja et al., 2020).

2.2.2. Financial perspective

The primary and most important sources of data for the financial analysis are the basic financial statements: the balance sheet and the statement of income. Numerous financial data are available from both statements, enabling the calculation of various financial ratios and indicators. According to Rodríguez-López et al. (2020), the bottom line (also referred to as the net income) is the primary indicator of a firm's business performance.

In terms of analyzing financial performance in the restaurant industry, financial indicators primarily relate to the analysis of efficiency, profitability, and liquidity (Mun & Jang, 2015).

The financial analysis enables us to identify the strengths and weaknesses of a firm's business performance. Its (financial) results present the basis for future business directions. The main disadvantage of this perspective lies in the fact that it defines a business performance based on past activities and the fact that it is focused on owners' financial interests.

2.2.3. Learning and growth perspective

This perspective focuses on new product development, process improvement rates, and human resources (HR) management (Denton & White, 2000).

Despite the limited number of studies in the restaurant industry, researchers have primarily investigated the importance of this perspective by analyzing the importance of employee job satisfaction. For example, Tarigan and Widjaja (2012) studied the importance of this perspective based on the following indicators: the job itself, pay, supervision, co-workers, and promotions. Similarly, Abdillah and Diana (2018) used employee absentee rate, training, and revenue per hour, while Salehzadeh et al. (2017) employed the following indicators: skills and knowledge of staff, employee satisfaction, staff creative ideas and development needs (see also Table 1).

2.2.4. Internal business processes perspective

This perspective involves firms' internal activities that satisfy and exceed their customers' needs (Phillips & Louvieris, 2005). These measures are usually non-financial, such as errors and failure rates, process flexibility, and the time required to complete critical processes (Denton & White, 2000).

As shown in Table 1, researchers are completely inconsistent when analyzing the importance of this internal perspective. For example, Abdillah and Diana (2018) employed different financial indicators, generally used as internal productivity and efficiency performance measures (e.g., food cost percentage). On the other hand, Tarigan and Widjaja (2012) applied a completely different approach. They equalled the measurement of internal business process performance with the measurement of perceived quality services, as they used the five RATER quality dimensions to measure the importance of this perspective. Interestingly, the customer

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perspective was measured using two other subjective measures: customer satisfaction feeling and the fulfilment of expectations from the restaurant. Finally, probably the most comprehensive selection of indicators for the restaurant industry is provided by Salehzadeh et al. (2017), who used the following indicators to measure internal business process performance: success in improving quantity and quality of services, success in implementing internal processes in a timely fashion, success in research and development, and success in restaurant's working methods.

Studies investigating BSC in the context of the restaurant industry are presented in chronological order in Table 1.

Table 1
Studies investigating BSC in the restaurant industry

Authors	Sample (n)	Learning and growth	Internal business processes	Consumer satisfaction	Financial performance	Main findings
Tarigan & Widjaja (2012)	Customers of restaurants and cafés located at big malls in Surabaya – Indonesia (n=794).	Skills and knowledge of staff, employee satisfaction, staff's creative ideas and development needs.	Five RATER quality dimensions.	General customer satisfaction feeling and the fulfilment of customer expectations.	Profitability.	Conceptually, the relationships among the BSC perspectives are positive.
Abdillah & Diana (2018)	Restaurants in Kuta – Bali (n= was not presented in detail).	Employee absenteeism, training, and revenue per employee.	Labour cost percentage, food loss percentage, and cover per labour hour.	The number of complaints, percentage, total guests, and average check per cover.	Net profit margin, food cost, revenue per available seat hour.	Three BSC sub-models were identified. A change in one BSC perspective leads to the disruption of all other perspectives.
Salehzadeh et al. (2017)	Managers of restaurants in the north of Iran (n=164).	Appropriate skills and knowledge of staff, employee job satisfaction, development of creative ideas, and attention to staff development needs.	Success in improving quantity and quality of services, timely implementation of internal processes, research and development, and success in working methods.	Success at: achieving customer satisfaction, identifying customers' demands, providing customer service, and addressing customer complaints.	Success in the efficient and effective use of its investment, reducing unnecessary costs and wastage, rate of return, and an above-average productivity rate compared to similar restaurants.	Results revealed that internal marketing positively influenced market orientation and performance. In addition, market orientation was a direct antecedent of performance.

Another interesting finding is that no study presented in Table 1 focused explicitly on restaurant SMEs (no such descriptions were found in sample presentations). Accordingly, we can only assume that studies presented in the table above have also included restaurant SMEs in their analyses.

Since our research focuses exclusively on restaurant SMEs that generate operational revenue only from restaurant sales, we have customized the generic BSC model to the characteristics of the restaurant industry. However, as seen from Table 1, the categories of learning and growth and internal business processes perspectives, in terms of their measurement, do not include indicators that comply with the specifics of restaurant SMEs. Hence, in our theoretical model (see Figure 1), we replaced both internal perspectives with a new perspective, The perceived business performance, which refers to a restaurant SME's perceived financial and quality performance by its manager.

2.2.5. Perceived business performance

This approach focuses on analyzing the perceived business performance based on managers' self-assessment (their perceptions) about SMEs' actual financial performance and the quality of what SMEs offer. The analysis of SMEs' financial performance based on managers' perceptions is a common approach in the research literature (Kurtulmuş & Warner, 2015), especially when no official financial data is available.

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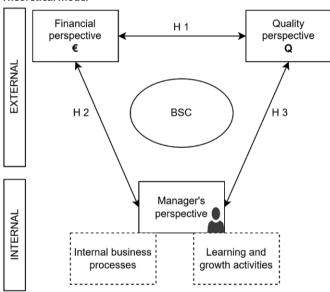Vol. 71/ No. 2/ 2023/ 270 - 284

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Regarding guest satisfaction and perceived service quality, managers' realistic perceptions of guests' quality expectations represent the first gap in the Gap model of service quality by Parasuraman et al. (1985). Restaurant managers must have realistic perceptions of guests' expectations to provide high-quality services and facilities since guest purchasing decisions are mainly driven by their quality expectations. Quality measurement using the DINESERV instrument provides reliable information about the importance of the different RATER quality dimensions (Hansen, 2014). Moreover, four RATER quality dimensions (Assurance, Empathy, Responsiveness, and Reliability) relate directly to employees' service performance (functional quality). Therefore, they can be achieved only through consistent and guest-oriented management of internal business processes and learning and growth activities (e.g., prompt service delivery, staff attitude, and handling special requests). In this view, many indicators of the DINESERV instrument coincide with indicators based on internal perspectives (learning and growth and internal business processes) measured in previous research (see Tables 1 and 3).

According to the goal of our study, the following hypothesis (H) were formulated to test the relationship between the three research perspectives:

H1: *SMEs' financial performance and guests' perceived quality are positively correlated.*

H2: *Managers' perceived business performance and SMEs' financial performance are positively correlated.*

H3: *Managers' perceived business performance and guests' perceived quality are positively correlated.*

Figure 1
Theoretical model

Note. The two excluded BSC internal perspectives are marked with a dashed line.

3. Methods

3.1. Research process and instrument design

The paper's theoretical section is based on a systematic study of scientific literature, while the empirical section is based on primary (field research) and secondary sources (financial reports) data analysis.

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For measuring service quality, we employed Dinserv. per instrument (Stevens et al., 1995). Managers' perceived business performance was measured with a nine-item scale using a five-point ordinal Likert-type scale (Hallak et al., 2011; Lee et al., 2016; Omerzel, 2015). Official financial data were based on the analyses of the three most used financial indicators (Mun & Jang, 2015) for the restaurant industry: efficiency, liquidity, and profitability.

3.2. Sample description and data collection

In 2019, more than 205,000 business entities were registered in Slovenia, of which more than 8,400 (4.10%) were registered in the F&B sector. SMEs dominate all business entities, accounting for 99.80% of all business entities in the country. Similarly, in the F&B sector, 99.95% of all business entities are registered as SMEs (Statistical Office of the Republic of Slovenia [SURS], 2020).

For the purpose of this study, we focused only on those restaurant SMEs whose operating revenues came solely from restaurant sales and are, according to the EU standard classification of activities (NACE), classified as I56.101 (Restaurants and inns) and I56.102 (Snack bars and similar). In 2019, there were 3,226 business entities in both classifications, accounting for about half of the F&B sector in the country (SURS, 2020).

Due to the lack of available information about the characteristics of restaurant SMEs, a convenience sampling method was used. Ten pre-trained interviewers conducted the field research between September 2019 and December 2019. If the restaurant corresponded to the research characteristics and the manager approved participation, one questionnaire was administered to the manager. The second was distributed to five guests in each facility. Our sample comprises 266 restaurant SMEs (8.24% of the I56.101 and I56.102 population) and 1,330 guests.

3.3. Data analysis

Univariate statistics were used to present the sample characteristics, while EFA and correlation analysis was used to test the hypotheses. With EFA, we aimed to identify common characteristics of the measured variables while reducing the number of variables for further analysis. Correlation analysis was used to test whether a statistically significant correlation existed between two or more ordinal or numerical variables. We tested the correlation for several pairs of variables simultaneously. The statistical analysis was carried out using SPSS 26.

4. Results

4.1. Sample characteristics

The results indicate that restaurants' average seating capacity is 119 seats, and their size is 271 square metres. Most restaurant SMEs (80.5%) employ fewer than ten employees (6.7), classifying them as micro-enterprises. Managers reported an average spending per person (ASP) of €16,00. Regarding managers' characteristics, most managers were male (59%), with a completed vocational or secondary education (66%). Their average age was slightly over 40 years of age. More than three-quarters (78%) of managers in the study reported owning their restaurant facility. Most managers also reported that their family members are involved in the business process (83%).

4.2. Financial perspective

In the next step, restaurant financial data were analyzed based on SMEs' official income reports. The results are summarised in Table 2.

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Table 2
Restaurant SMEs' official financial data (F)

No.	Indicators	M	SD
	Efficiency		
F-1	Operating efficiency	1.06	0.183
F-2	Total efficiency	1.05	0.162
F-3	Net profitability of revenues	0.04	0.130
	Liquidity		
F-4	Acid-test ratio	0.51	0.990
F-5	Quick ratio	0.87	1.172
F-6	Current ratio	1.29	1.396
	Profitability		
F-7	Net return on assets	0.34	1.510
F-8	Net return on equity	1.03	13.278

Note. M=mean value; SD=standard deviation.

The values of efficiency indicators show that restaurant SMEs are achieving profit. However, a detailed analysis reveals that the average net profit is slightly below €16,000.00. Regarding liquidity indicators, only the current ratio has a value above one (1.29), which means that SMEs have sufficient short-term assets available to repay their short-term liabilities. Both positive profitability ratios indicate that managers successfully oversee the company's total assets and owner's capital.

For the subsequent analyses, all eight indicators of the three areas of financial performance were used as indicators of restaurant SMEs' financial perspectives (see Tables 5 and 6).

4.3. Quality perspective

Table 3 indicates guests' perceptions of restaurant service quality according to the 29 DINESERV indicators.

Table 3
Service quality (Q)

No.	Indicators	M	SD
	Tangibles		
Q-1	Visually attractive parking areas and building exterior.	3.60	1.101
Q-2	Visually attractive dining area.	3.98	0.939
Q-3	Clean, neat, and appropriately dressed staff.	4.30	0.783
Q-4	The restaurant's decor is typical of its image and price range.	4.27	0.771
Q-5	Easily readable menu.	4.39	0.787
Q-6	Visually attractive menu.	4.22	0.805
Q-7	Comfortable dining area.	4.08	0.894
Q-8	Clean restrooms.	4.07	0.906
Q-9	Clean dining areas.	4.21	0.814
Q-10	Comfortable seats in the dining room.	3.91	0.938
	Reliability		
Q-11	Service in the promised time.	4.27	0.838
Q-12	Quick correction of incorrect service.	4.28	0.828
Q-13	Dependable and consistent restaurant.	4.38	0.759
Q-14	Accurate bill.	4.71	0.653
Q-15	Error-free service of food.	4.44	0.792
	Responsiveness		
Q-16	Maintaining speed and quality of service during busy times.	3.85	1.016
Q-17	Provision of prompt service.	4.19	0.823
Q-18	The effort to handle special requests.	4.25	0.861

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Table 3 *(continued)*

	Assurance		
Q-19	Employees can answer questions thoroughly.	4.20	0.872
Q-20	Comfortable and confident feeling.	4.25	0.818
Q-21	Staff provide information about menu items, their ingredients and methods of preparation.	4.14	0.862
Q-22	I am feeling safe.	4.25	0.837
Q-23	Well-trained, competent, and experienced staff.	4.13	0.828
Q-24	The restaurant supports the employees.	4.16	0.827
	Empathy		
Q-25	Employees provide individual attention.	3.92	0.933
Q-26	Special feeling.	3.93	0.944
Q-27	Anticipation of guests' individual needs and wants.	3.94	0.952
Q-28	Sympathetic and reassuring employees.	4.16	0.834
Q-29	Guests' best interests at heart.	4.24	0.840

Note. M=mean value; SD=standard deviation.

The results show that the three highest-rated indicators were Q-14, Q-15, and Q-5, indicating that restaurants are issuing accurate bills according to guests' perceptions (M=4.71), serving the meals precisely as ordered (M=4.44), and providing readable menus (M=4.39). On the contrary, the three lowest-rated indicators were Q-1, Q-16, and Q-10, revealing that guests have the lowest perceptions of the restaurant's visually attractive parking areas and building exterior (M=3.60), the restaurant's ability to maintain speed and quality of service during busy times (M=3.85), and the comfort of seats in the dining room (M=3.91).

In the subsequent analyses, all 29 DINESERV indicators belonging to the five RATER quality dimensions were used as indicators of the Quality perspective.

4.4. Managers' perspective

Next, managers' perceived business performance was analyzed. Research results are presented in Table 4.

Table 4
Perceived business performance (P)

No.	Indicators	M	SD
P-1	Guests are satisfied with our products or services.	4.61	0.512
P-2	Our products or services are of high quality.	4.78	0.425
P-3	Our company has the potential to grow in the future.	4.54	0.668
P-4	I am satisfied with the growth in turnover.	4.20	0.874
P-5	I am satisfied with the growth in market share compared to the competition.	4.20	0.797
P-6	I am satisfied with the profitability of the company.	3.92	0.912
P-7	I am satisfied with the overall performance of the company.	4.16	0.787
P-8	I am satisfied with the cash flow of the company.	3.99	0.847
P-9	The company is performing in line with expectations.	4.09	0.858

Note. M=mean value; SD=standard deviation.

The results show that restaurant managers' average perceptions of SMEs' business performance are very high (4.7 out of 5). Furthermore, their highest perceptions are related to the quality of what SMEs offer (P-2; M=4.78), while their lowest perceptions are related to indicator P-6, indicating their satisfaction with SMEs' profitability (P-6; M=3.92).

In the next step, EFA (principal axis method and oblimin rotation) was used to determine the factor structure of managers' perceived business performance since its dimensions were not identified in previous research. According to the correlation coefficient values, we kept all the indicators presented in Table

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4. The values of the Kaiser-Meyer-Olkin test (0.908) and Bartlett's test of sphericity (0.000 < 0.05; χ^2 = 1304.864; df = 36) confirmed the suitability of the data for performing EFA. Results indicate two-factor groups jointly explaining 60.87% of the total variance. The first factor included the variables P-1 and P-2 and was named "Perceived performance – Quality". The second factor included the other seven P-indicators and was named "Perceived performance – Finance". Both extracted factors were used in the subsequent analyses (see Tables 6 and 7).

4.5. Correlation analyses

The correlations between the three perspectives (see Figure 1) were analyzed to test our hypotheses. In Table 5, correlations between SMEs'' actual financial performance and guests' assessment of restaurant quality were investigated to test H1.

Table 5
Correlations between actual financial performance and quality dimensions

		Quality				
		Tangibles	Reliability	Responsiveness	Assurance	Empathy
Actual financial performance	Operating efficiency	0.06	0.09	0.09	0.06	0.07
	Total efficiency	0.06	0.09	0.09	0.07	0.07
	Net profitability of revenues	0.03	0.06	0.04	0.03	0.04
	Current ratio	-0.06	0.01	0.00	0.03	-0.03
	Acid-test ratio	0.01	0.07	0.04	0.05	0.00
	Quick ratio	-0.01	0.05	0.02	0.05	0.01
	Net return on assets	0.10	0.11	0.016**	0.12	0.13*
	Net return on equity	0.00	0.07	0.04	0.04	0.05

** $p < 0{,}01$; * $p < 0{,}05$.

The results indicate a weak positive linear correlation between net return on assets and two quality dimensions (Responsiveness and Empathy). However, there are no statistically significant correlations for all other pairs of variables, so H1 cannot be confirmed.

In the next step (Table 6), the correlation between the actual financial performance and managers' perceived business performance was analyzed (H2).

Table 6
Correlations between actual financial and perceived business performance

		Perceived business performance	
		Perceived performance – Quality	Perceived performance – Finance
Actual financial performance	Operating efficiency	0.07	0.05
	Total efficiency	0.09	0.04
	Net profitability of revenues	0.10	0.04
	Current ratio	0.02	0.01
	Acid-test ratio	0.12	0.08
	Quick ratio	0.12	0.09
	Net return on assets	0.10	0.05
	Net return on equity	0.04	0.04

The results indicate no statistically significant correlations between all pairs of variables. Therefore, H2 also cannot be confirmed.

Finally, to test H3, the correlation between guests' perceptions of restaurant service quality and managers' perceived business performance was analyzed (Table 7).

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Table 7
Correlations between quality dimensions and perceived business performance

		Perceived business performance	
		Perceived performance – Quality	Perceived performance – Finance
Quality	Tangibles	0.17***	0.20***
	Reliability	0.13*	0.11
	Responsiveness	0.15*	0.15*
	Assurance	0.16*	0.17**
	Empathy	0.19**	0.14*

*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$.

The results indicate that both perceived business performance dimensions correlate with four quality dimensions (Tangibles, Responsiveness, Assurance, and Empathy). In all cases, we confirmed a very weak positive linear correlation. In contrast, there is no statistically significant correlation between the financial dimension of perceived business performance and the quality dimension of Reliability.

Accordingly, we can confirm H3, as the results show a weak positive linear correlation between the observed pairs of variables in most cases.

5. Discussion

Our analysis has led us to some interesting findings. The research has highlighted some facts related to the specifics of the restaurant industry. Most restaurant SMEs are micro-enterprises with fewer than ten employees. SMEs are predominantly managed by male managers who completed a vocational or secondary education; most own the facility they work. Most managers also reported that their family members are involved in the business.

The analyses of the research hypotheses revealed that H1 and H2 could not be confirmed, while H3 can mostly be confirmed. Therefore, based on research results, we cannot verify our research model (see Figure 1) since the investigated perspectives are only partially correlated. Nevertheless, research results provide valuable insight into the restaurant SMEs' financial performance, service quality performance, and managers' perceptions of SMEs' business performance.

Regarding SMEs' financial performance, managers reported a relatively low ASP, resulting in relatively low profitability of restaurant SMEs (average net profit = <€16,000.00). Nevertheless, both profitability ratios are positive, indicating that managers successfully manage the company's total assets and owner's capital (see Table 2). In contrast to previous research findings (Chin & Tsai, 2013), SMEs' financial performance was not statistically correlated to guests' perceptions of service quality. However, guests highly perceive what the restaurant offers (M=4.18). As a result, we might conclude that there is a gap between the perceived service quality and the actual financial performance (see Tables 5 and 6). Accordingly, we might assume guests receive high-quality offerings at lower (convenient) prices.

Despite the price elasticity of demand in the restaurant industry, the results indicate that managers should align their price strategies with guests' perceptions of service quality. In this view, a balance is required among restaurant SMEs' quality offerings, production efficiency, and profitability since neither too low nor too high service quality will have the desired financial results. Wirtz and Zeithaml (2018) introduced the term "cost-effective service excellence (CESE)" to describe the process of obtaining such an equilibrium. Based on the principles of CESE, restaurant managers must have realistic perceptions about SMEs' actual financial performance to successfully manage (and optimize) restaurants' operational processes (Kukanja & Planinc, 2020; Wirtz & Zeithaml, 2018). Research results revealed that restaurant managers have relatively high perceptions of restaurant SMEs' business performance from both perspectives (financial and quality). However,

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none correlate to any of the selected eight financial indicators (see also Table 6). This result is shocking, as it indicates that managers misperceive SMEs' financial performance. Unfortunately, the lack of previous research makes it relatively difficult to explain these results. However, they might result from managers' low educational profile, financial literacy, and/or a lack of available accounting and financial information.

The correlation between the Quality and Managers' perspectives (H3) confirmed a weak positive linear correlation between the observed indicators. The results indicate that managers have realistic perceptions about the quality of restaurant offerings. This finding is essential since managers' real perceptions about guests' quality expectations present the first step (the first gap) in the Gap model of service quality. Due to the specifics of the restaurant industry, managers are most often personally involved in the daily working process and, therefore, are in close contact with restaurant guests, which may positively influence their quality perceptions. Interestingly, managers' perceptions of SMEs' actual financial performance (Perceived performance – Finance) are also positively correlated to most service quality dimensions (four out of five). This result indicates that managers link the quality of what the restaurant offers (the Quality perspective) to their perceptions of SMEs' financial performance (the Financial perspective). However, both external perspectives are not correlated (see H2).

Although we could not confirm the theoretical research model (see Figure 1), the results raise some questions regarding the appropriateness of the generic BSC model for restaurant SMEs. Specifically, in micro- and (most often) family-run restaurant SMEs, where the manager is also the owner of the restaurant facility (the entrepreneur), he/she is actively involved in all aspects of the business process, including both generic BSC perspectives. Moreover, the application of indicators used in previous studies (see Table 1) is also questionable (e.g., timely implementation of internal processes) since they do not fully comply with the characteristics of restaurant SMEs. Specifically, based on the Gap Model of Service Quality (Parasuraman et al., 1985) and CESE (Wirtz & Zeithaml, 2018), we might assume that both internal perspectives of the generic BSC model are subjected to managerial decisions. Namely, managers' decisions are also driven according to their (mis) perceptions of SMEs' financial and quality performance. Nevertheless, more research on this topic is needed to understand better the concept of BSC in restaurant (micro) SMEs.

6. Conclusion

This paper aimed to investigate the correlations among (I) SMEs' actual financial performance, (II) the quality of what the restaurant offers, and (III) managers' perceived business performance to test a simplified version of the BSC model for the restaurant industry SMEs. Based on a literature review, a new perspective was introduced to capture managers' perceptions of business performance. We have placed the manager at the core of the restaurant's SME business process. Specifically, we assumed that restaurant managers have realistic perceptions about restaurants' business performance since they are actively involved in day-to-day business operations. Therefore, they can promptly and adequately optimize SMEs' internal business processes to meet their customers' quality expectations and achieve their financial goals. The present study is thus the first to examine the relationship among the three perspectives and, as such, provides valuable insights into the dynamics of restaurant SME management and performance measurement.

We created three research hypotheses based on the literature review (see Figure 1). Research results indicate that the Quality perspective is not correlated to the Financial perspective (H1), and the Financial perspective is not correlated to the Managers' perspective (H2). Only the correlation between the Managers' and the Quality perspectives (H3) proved statistically significant. Based on the analysis, we can conclude that the quality of restaurant offerings is not reflected in SMEs' actual financial performance and that managers have misperceptions about restaurant SMEs' actual financial performance. These findings lead us to conclude that it makes sense to eliminate the gaps between the two perspectives (financial and quality and managerial and financial) by improving (raising) the performance management information.

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This study has also revealed the lack of research on BSC in the restaurant industry. Therefore, it is relatively challenging to address the different practical implications for the restaurant industry. Based on the importance of the restaurant industry (presented in Chapter 1), it is essential to ensure its sustainable development. However, this cannot be achieved if restaurant managers do not have realistic perceptions about restaurant SMEs' overall business performance. Accordingly, the first significant practical contribution of the present research is that it provides much-needed empirical data on BSC in restaurant SMEs. Given the limited number of studies (see Table 1). Based on research results, policymakers, restaurant managers, and consultants could design initiatives to improve restaurant SMEs' business performance according to the BSC principles. In terms of managerial application, managers should, for example, implement an effective information performance management system, introduce the principles of restaurant revenue management (e.g., menu engineering), and improve their financial literacy through lifelong learning. A second practical implication of our study is gaining best practices from other restaurant providers (e.g., franchise restaurants), which could also improve restaurant SMEs' management and overall business performance. In this view, organizing tailored educational events to share best practice examples, knowledge, and research could also challenge the national restaurant association and academia. The third practical implication stems from our reframing of the generic BSC model. Our findings suggest that restaurant managers' perceptions play an essential role in assuring restaurant performance according to the principles of BSC. Therefore, the evolving perceptions of restaurant managers are a personal and SME capability that needs to be learned, developed, and refined over time. As a result, our research suggests that we should give up the BSC model's instrumental and simplistic viewpoint, which ignores the significance of managers' perceptions of restaurant SMEs' business performance.

The findings of this study have to be seen in light of some limitations. First, convenience sampling was used due to the restaurant industry's characteristics. The main disadvantage of this data collection method is that the sample lacks clear generalisability to the entire population. Other limitations relate to the reluctance of managers to participate in the research, the lack of research on BSC in restaurant SMEs, the lack of measurement indicators appropriate for the restaurant industry, and the study's time frame since it was performed just before the outbreak of the COVID-19 pandemic.

Finally, we have also identified several opportunities for future research. First, the present study might represent an initial step in developing a tailored and fully formed diagnostic BSC model for restaurant SMEs (especially in defining the measurement indicators). Next, a more complex data analysis technique (e.g. Structural equation modelling) could provide valuable insights into the multivariate causal relationships among the observed variables. Future research could also investigate potential differences among the different types of restaurant facilities in terms of their size, business organization, and the various stages of the business life cycle. Furthermore, interviews with restaurant managers could also provide interesting information about the principles of the BSC in restaurant SMEs.

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