

Human resource managers' perceptions of the applications and merit of the balanced scorecard in hotels

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1 **Human resource managers' perceptions of the applications and merit of the**
2 **balanced scorecard in hotels**

3

4 **Abstract**

5

6 The extent to which performance measures that align with the 'learning and
7 growth' dimension of the balanced scorecard (BSC) are applied in the hotel
8 industry has been examined by conducting interviews with fourteen hotel
9 Human Resource (HR) managers. Minimal appreciation of the BSC concept
10 was in evidence. When an explanation of the BSC framework was provided, the
11 interviewees unanimously held the view that the term 'learning and growth' did
12 not adequately encompass the HR oriented performance measures that they seek
13 to apply. Further, it was found that most hotels were using a single measure of
14 employee satisfaction to represent 'learning and growth', which does not enable
15 examination of the five separate theoretical dimensions of 'learning and growth'
16 represented in the BSC model. These findings suggest a significant schism
17 between BSC theory and the application of HR oriented measures in the hotel
18 industry.

19

20 **Keywords:** Performance management, balanced scorecard, learning and
21 growth, hotels.

1 **Introduction**

2

3 Measuring organisational success and implementing effective strategies for
4 success represent continuous challenges for managers, researchers and
5 consultants. The wide variety of industries rethinking their performance
6 management and performance measurement systems (Eccles, 1991), and the
7 many performance measurement frameworks, theories and models that have
8 emerged serve as testimony to the importance attached to developing
9 comprehensive and effective measurement systems. Literally, performance
10 measurement is the process of quantifying past action (Neely, 1998), to
11 facilitate the pursuit of organisational control. Control can be viewed as the
12 process of ensuring that an organisation pursues strategies that lead to the
13 achievement of overall goals and objectives (Hoffecker & Goldenberg, 1994).

14

15 This study explores the extent to which the balanced scorecard (BSC) (Kaplan,
16 1994; Kaplan & Norton, 1992, 1993, 1996a) is understood and utilized by HR
17 managers within the hotel industry and, more specifically, the extent to which
18 the scorecard's 'learning and growth' performance measures that are described
19 in the literature are applied in hotels. The BSC is a comprehensive performance
20 measurement framework. Its comprehensive nature derives from the four
21 interlinking perspectives that it encompasses: (1) financial perspective; (2)
22 customer perspective; (3) internal perspective; and (4) innovation and learning
23 perspective (termed 'learning and growth' in this study). The relative merits of

1 the BSC have been examined extensively in the literature, however there
2 appears to be relatively limited attention directed to the manner in which the
3 'learning and growth' dimension of the scorecard is being operationalised. Prior
4 to outlining the research design and reporting the study's findings, the next
5 section provides an overview of the most pertinent literature.

6

7 **Literature Review**

8

9 **Inappropriate measures of performance have been identified as barriers to**
10 **organisational development. This is because performance measures represent a**
11 **fundamental link between strategies and actions (Achterbergh, Beeres, &**
12 **Vriens, 2003).** Much criticism has been directed to traditional performance
13 measurement systems' failure to encapsulate multiple dimensions of
14 performance, with too much importance attached to financially denominated
15 dimensions of performance. Numerous commentators have elaborated on
16 problems arising from a narrow focus on financially quantified targets
17 (Amaratunga, Baldrey, & Sarshar, 2001), and have highlighted ways to accord
18 recognition to qualitative dimensions of performance and intangibles such as
19 quality management, customer retention, research and development, and
20 innovation, within regular performance evaluation processes. A rapid switch
21 from local and domestic competition to a "global" market place has resulted in
22 international hotel companies attaching heightened significance to the
23 development and implementation of strategies consistent with securing business

1 success (Brotherton & Adler, 1999). This underscores the evolving nature of
2 hotel management systems and the pertinence of research into the extent to
3 which hotel performance measures achieve a degree of “balance” (Evans, 2005).

4

5 The importance of developing and applying well-designed performance
6 measurement systems is underscored by the many performance measurement
7 theories and conceptual frameworks that have emerged. These include: (1)
8 dynamic multi-dimensional performance model (DMP) (Maltz, Shenhar, &
9 Reilly, 2003); (2) *The Service Profit Chain* (Heskett, Saser, & Schlesinger,
10 1997); (3) Boston Consultancy Group (BCG) portfolio model (Peters, 1993); (4)
11 “success dimensions” model (Shenhar & Dvir, 1996); (5) “Results and
12 Determinants Model” (Fitzgerald, Johnston, Brignall, Silvestro and Voss, 1991);
13 (6) Balanced Scorecard (Kaplan & Norton, 1992, 1993, 1996a, 1996b); (7)
14 ‘game theory’ assessed by authors such as Coe (1981), Bettis and Hall (1982),
15 Hapeslagh (1982), Fraguhar and Shapiro (1983), and Hamermesh (1986); (8)
16 and ‘Tableau de Bord’. This study draws its primary focus from the BSC model.

17

18 *The Balanced Scorecard*

19

20 Of the frameworks, models and theories **presented above**, the BSC, developed
21 by Kaplan and Norton (1992), is generally accepted to be one of the most
22 popular performance management system (Amaratunga et al., 2001). It is
23 particularly notable that the BSC has gained wide acceptance within the service

1 sector as a means of providing a focus on human resources, intangible assets,
2 and challenges associated with regard to maintaining consistent product
3 standards, while not neglecting financial performance (Bharadwaj & Menon,
4 1993; Sherman, 1984). Although hotels are generally thought of in a service
5 context, commentators such as Harris & Mongiello (2001) contend that this
6 perception masks a breadth of industrial activities that need to be controlled at
7 the hotel property level, i.e., provision of room accommodation, production and
8 provision of food, and beverage retail. In light of the diversity of these activities,
9 that each have differing cost structures, it would appear that a hotel represents a
10 commercial context with a particularly high need for a broadly focused
11 performance measurement system such as the BSC (Evans, 2005).

12

13 Much of the merit of the BSC framework derives from a second implicit
14 “balance” that takes it beyond constituting an *ad hoc* collection of financial and
15 non-financial measures. The scorecard captures organisational strategy by
16 means of a cause-and-effect model that ultimately links all measures to
17 shareholder value. Non-financial measures, such as customer retention,
18 employee turnover, and number of new products developed, belong to the
19 scorecard only to the extent that they reflect activities an organisation performs
20 in order to execute its strategy (Amaratunga et al., 2001).

21

22 Financial performance measures indicate the extent to which an organisations’
23 strategy, implementation, and execution are contributing to bottom-line

1 improvement. The achievement of financial targets reflects the outcome of
2 theoretical dimensions of performance captured by the BSC's other three
3 perspectives. The number and nature of the dimensions are yet to be empirically
4 verified and therefore are referred to forthwith as theoretical. According to
5 Kaplan and Norton (1992), improvements within an organisation's operations
6 result in the financial numbers taking care of themselves. Kaplan and Norton
7 (1996b) describe the continuous process of highlighting what should be an
8 organisation's focus, as a cycle. The vision is made explicit and communicated
9 to all members of an organization by way of goal and incentive identification
10 (Olve, Roy, & Wetter, 1999). By furnishing a language that operationalises
11 expectations and performance, the BSC lays the foundations for discussions
12 about how each individual can contribute to the organisation's goals and vision
13 (Reisinger, Cravens, & Tell, 2003), thereby also facilitating learning at both
14 individual and organisational levels.

15

16 The customer perspective of the BSC gauges the ability of an organisation to
17 provide quality goods and services, the effectiveness of their delivery, and
18 resultant customer service satisfaction. The BSC requires that managers
19 translate their general mission statement relating to customer service into
20 specific measures that reflect the factors that really matter to customers (Kaplan
21 & Norton, 1992). This customer perspective engenders a managerial focus on
22 the internal business results that lead to satisfied customer expectations (Kaplan
23 & Norton, 1992)

1

2 Internal business process perspectives of the BSC concern the use of business
3 processes to achieve shareholder and customer satisfaction. This internal
4 perspective aspect of the BSC is closely aligned with an organisation's
5 innovation. Innovation is essentially an internal process that ensures that
6 internal business processes continue to improve and become more efficient.
7 Specific internal business processes can focus on particular factors such as
8 brand management, leadership, product quality and the customer experience
9 (Kaplan & Norton, 1996a).

10

11 The 'learning and growth' perspective concerns issues such as the ability of
12 employees, the quality of information systems, and the effects of organisational
13 alignment in supporting the accomplishment of organisational goals. In order to
14 meet rapidly changing requirements that meet with customer expectations, the
15 ability to identify 'learning and growth' issues enables the organisation to
16 consider what it must do in order to develop employee competencies needed for
17 understanding and satisfying customer needs, whilst sustaining the necessary
18 efficiency and productivity of the established processes designed to fulfil
19 customer needs (Kaplan & Norton, 1996b).

20

21 *BSC and the hotel sector*

22

1 Studies conducted by Denton and White (2000) and Huckstein and Duboff
2 (1999) document the experiences of Hilton Hotels and Marriott franchisee
3 White Lodging Services (WLS), in implementing the BSC. Evans (2005) argues
4 that the literature relating to BSC applications in the hospitality sector is under-
5 developed. This underscores the importance of the Hilton and Marriott studies
6 in providing guidance as to the relative merits of applying the BSC in a hotel
7 context. Huckstein and Duboff (1999) note that the value of their findings result
8 not so much from the fact that Hilton embraced the BSC concept, but that the
9 scorecard was implemented in a way that integrated all aspects of the business
10 and changed the organisations' culture to achieve desired results. Hilton's
11 multifaceted approach, in which the BSC has been pivotal, has markedly
12 transformed the company's hotel operations (Evans, 2005). Denton and White
13 (2000) reported that after the implementation of the BSC in 1997, WLS
14 achieved greater financial success than their competitors while reducing
15 turnover and improving internal processes.

16

17 Denton and White (2000) and Huckstein and Duboff (1999) report a number of
18 benefits deriving from BSC implementation. These include rewarding
19 teamwork, since the hotel property is assessed as an overall entity; encouraging
20 managers to focus on both long-term and short-term measures of success;
21 making performance appraisals more objective; facilitating the dissemination of
22 strategy information throughout the organization; promoting the explicit sharing
23 of best practice, as a result of the BSC being adopted in a unified way across a

1 chain of hotels: and enabling negative trends to be identified by owners and
2 senior managers in their early stages, well before financial performance
3 deteriorates (Evans, 2005).

4
5 Notwithstanding these benefits, it has been acknowledged that the process of
6 adopting the BSC is complex and requires the commitment of resources and
7 time to monitoring, continuous learning, feedback and adjustments (Doran,
8 Haddad, & Chow, 2002). A balance needs to be struck between having
9 sufficient detail to be actionable, but only enough to be meaningful in a way that
10 can be easily interpreted by managers (Lingle & Schiemann, 1996). Failing to
11 establish causal linkages between scorecard components and failing to secure
12 the support of employees for the system have also been identified as potential
13 difficulties in BSC implementation (Evans, 2005). It has also been noted that
14 tailoring the approach to each organization's individual needs is imperative to
15 successful implementation (Evans, 2005).

16
17 Huckestein and Duboff (1999) also highlight the importance of having
18 managers who fully understand the BSC acting as "champions" of the new
19 system. They also suggest the need for hotels to emphasise the strategy to all
20 employees through customised orientation presentations at all properties and
21 reinforcement through employee communications to further embed the system
22 in the adopting organisation's culture.

23

1 Research by Davidson (2003) suggests that there is a positive relationship
2 between organization climate and customer satisfaction, indicating the benefit of
3 identifying the extent to which employees' perceptions of customer satisfaction
4 and customers' reports of satisfaction match. National studies (Davidson, 2003)
5 on hotel service quality as measured by customer satisfaction levels have been
6 predictive of hotel performance. For example, research by Davidson, Manning,
7 Brosnan and Timo (Davidson, Manning, Brosnan, & Timo, 2002) found in a
8 study of 1,443 hotel employees of 14 Australian hotels that there was a causal
9 relationship between organisational climate, employee perceptions of customer
10 satisfaction and revenue per available room (RevPAR). Organisational climate
11 accounted for a 30 per cent of the variation in the employee perception of
12 customer satisfaction. Furthermore, employee perception of customer
13 satisfaction accounted for a 23 per cent of the variation in the RevPAR between
14 hotels. This supports the importance of focusing on employee satisfaction levels
15 through the use of performance measurement frameworks that recognize factors
16 such as 'learning and growth'.

17

18 *Learning and Growth*

19 Atkinson (2006) notes the importance of the 'learning and growth' dimension of
20 performance as the driving force behind the BSC. This observation highlights
21 the importance of gaining further understanding of issues surrounding the way
22 that the 'learning and growth' aspect of the BSC is operationalised. Atkinson
23 describes how 'learning and growth' drives internal processes, which in turn

1 service the customers who provide the revenue to meet stakeholders' needs. The
2 'learning and growth' dimension of the BSC can be divided into five sub-
3 elements: employee capabilities, employee lifestyle and well-being, tracking of
4 employee tools, motivation of employees and goal alignment of employees.
5 Norton and Kaplan (1996) advocate the development of measures addressing
6 each of these elements to provide an overall picture of how the organization is
7 performing in relation to the 'learning and growth' dimension. Each of these
8 sub-elements will now be considered further.

9

10 Employee capabilities relates to the skills inherent in the company's workforce.
11 Norton and Kaplan (1996) promote the need to identify what skills are required
12 within the firm and then to determine the extent to which the extant workforce
13 possess the requisite skills. Such an analysis represents an approach to
14 determine existing and future training needs. Employee lifestyle and well-being
15 can be seen to represent an index of employee satisfaction by addressing factors
16 such as work-life balance and job stress. Tracking of employee tools, i.e.,
17 equipment and technology available to employees (eg., computers), enables an
18 appraisal to be made with respect to the extent that employees have the tools
19 they need to perform their function efficiently and effectively. The motivational
20 level of employees is an important determinant of the extent to which
21 employees act in the best interests of the firm. Finally, goal alignment of
22 employees relates to the extent to which employees know and are motivated to
23 adhere to the goals of the company (Norton and Kaplan, 1996).

1

2 The literature search conducted has highlighted the profound importance of the
3 BSC to the business and academic community's alike. It has also highlighted
4 the fundamental role of the 'learning and growth' dimension of the BSC. It
5 appears, however, that there has been minimal empirical hotel management
6 research concerned with the extent and manner of 'learning and growth'
7 performance measurement in hotels. This is despite the labour intensive nature
8 of most hotel operations. **The purpose of this study** is to explore the extent to
9 which the 'learning and growth' dimension of the BSC is addressed (regardless
10 of whether or not as part of a formalized BSC) as part of HR activities in hotels.

11

12 **Method**

13

14 The research undertaken can be characterized as exploratory, with qualitative
15 data collected. In order to provide an in-depth description of HR managers'
16 perspectives on the 'learning and growth' dimension of the BSC and its level of
17 adoption in their organisations, in-depth interviews were considered the most
18 appropriate data collection vehicle, enabling the collection of a large amount of
19 data (Marshall and Rossman, 1999).

20

21 **A convenience sampling procedure was utilised.** Prospective interviewees were
22 selected if they held an HR manager position at a hotel with more than 100
23 rooms in the Gold Coast, Australia. Although restricted geographically, the

1 hotels in this region are generally part of national and international hotel chains,
2 often with overseas headquarters and the HR departments operating within the
3 context of a corporate HR policy. Each prospective participant was initially
4 approached by phone and invited to participate in the study. A total of 14
5 participants agreed to be interviewed, representing fourteen different hotels that
6 were all part of major hotel chain groups. The Gold Coast represents a
7 favourable location in which to conduct interview based research as it has a high
8 concentration of international hotel chains hosting, on average, over 80,000
9 visitors per day (Gold Coast City Council 2005). Interviews were semi-
10 structured, but involved some specific questions that were posed in order to
11 enable comparisons to be drawn and create an overall picture of the nature of
12 human resource performance oriented measures applied in the local hotel
13 industry. This follows Marshall and Rossman's (1999) requirement for
14 consistency in interviews to ensure internal reliability of the data.

15

16 As an introduction, interviewees were asked to describe if they were familiar
17 with the BSC and the elements of the 'learning and growth' dimension of the
18 BSC. The five elements of the 'learning and growth' BSC dimension described
19 above were discussed. Once interviewees had a clear understanding of each
20 element, they were asked to rate the relative importance that their hotel attached
21 to each. The interviewees were then asked to rate these same five 'learning and
22 growth' elements with respect to the extent that each was measured in their
23 hotel.

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To promote internal reliability with respect to interpretation of the data collected, the three research team members were present at all interviews conducted. As advocated previously (REF), this approach enabled a sharing of experiences for the research team, which facilitated deeper probing during the interviews and greatly facilitated the data analysis process. All the interviews were recorded and later transcribed. This has allowed the researchers to distil the raw data to themes which have facilitated the generation of findings.

The process of data analysis followed Wolcott's (1994) identified 3 major phases: description (relying heavily on verbatim quotes from respondents), analysis (identifying important factors and themes) and interpretation (making sense of meanings in context). Miles and Hubermann, (1994) also recommend intuitive approaches to analysis of qualitative data. As a result there was a high level of agreement amongst the researchers about the emergent themes and this is considered to be due to both attendance at all interviews enabling consistent detailed familiarity with the data as it was collected as well as the specific knowledge extracted through the interview protocol question design. This is in accord with previous recommendations by REF who have found that researchers take an active role in the interview process to enable a deeper understanding of the research topic from the participants' perspective.

1 A profile of the participants interviewed is provided in Table 1. The first column
2 lists the alphabetical reference for each interviewee. Subsequent columns
3 provide, in turn, each hotel's star rating, a brief indication of its main activities,
4 some general observations concerning its HRM performance measurement
5 system and also the status of the BSC in the hotel.

6

7 All hotels can be described as large operations with staff numbers ranging from
8 hundreds to several thousand. Employee numbers were recorded but are not
9 reported to respect anonymity for the participants. The majority of the hotels
10 were 4 star and higher with only one 3.5-star facility and two 5-star hotels. The
11 main activities for all hotels were the leisure market with conferencing also
12 featuring consistently amongst the hotels.

13

14 Insert Table 1 about here

15

16 **Findings**

17

18 *BSC Knowledge and Implementation*

19 In the context of the interviewer's opening remarks, a determination of the
20 interviewees' familiarity with the BSC was made. Only two of the interviewees
21 indicated that they had never heard of the term previously, however eight of the
22 14 interviewees exhibited no real familiarity with the BSC. Interviewee J's

1 comment “*I think that I’ve read that somewhere but I haven’t really worked*
2 *with that*”, typified the perspective of many.

3

4 Interviewee L indicated that management in her hotel was “*very aware of it*”
5 having had a recent training session about “*what the BSC meant*”, but “*it was*
6 *not something that we have actually tried to implement in our organization at*
7 *this point in time*”. She claimed that the BSC was most pertinent to the finance
8 department in her hotel, and although she acknowledged that HR has an impact
9 on the bottom line, and despite her claimed awareness of the BSC, she revealed
10 an unfamiliarity with the BSC’s ‘learning and growth’ dimension.

11

12 Three interviewees indicated that their hotel was utilizing the BSC in some
13 form. Further, Interviewee B indicated that the BSC was being “*rolled out*”
14 later in the year, from the top of the organisation down. This HR manager
15 indicated that it was being implemented as an on-line performance measurement
16 system that involved specific managers being held accountable for aspects of
17 performance aligned to their functional responsibility set. Whilst this manager
18 indicated that employee capabilities and degree of goal alignment were
19 measured by the system and also some accord given to monitoring motivation,
20 no provision was made for gauging the adequacy of employee tools or lifestyle
21 and wellbeing.

22

1 Interviewee C indicated that much of her company's management practices
2 were focused on the BSC. She saw the BSC as "*a big key measurement for the*
3 *company*", that is taken "*very seriously*" with significant resources expended to
4 "*teach their managers about it*". The justification for this large international
5 hotel chain's BSC adoption was grounded in a pursuit of greater competitive
6 advantage. Interviewee C claimed that her hotel's BSC was built around three
7 primary theoretical dimensions: guest survey results, market share and
8 employee survey results. Departmental benchmarks for each of these theoretical
9 dimensions of performance served as key targets. Individual departments were
10 also benchmarked against equivalent departments in other properties and hotels.
11 It was notable, however, that when Interviewee C's appreciation of the 'learning
12 and growth' dimension of the BSC was explored, it became apparent that
13 factors such as employee lifestyle and well-being and motivation and goal
14 alignment were not being formally measured.

15

16 Interviewee H stated that her hotel had adopted a BSC management philosophy,
17 and indicated that it was an HR responsibility to administer an annual employee
18 opinion survey. In connection with the BSC's 'learning and growth' dimension,
19 this HR manager indicated that while management in her hotel saw motivation
20 to be important, it was not measured as part of the employee survey and hence
21 was not included in the BSC. Further, despite the fact that other areas of the
22 'learning and growth' dimension were being measured in her hotel, no targets

1 for these aspects of performance had been identified, although they were
2 included as part of an overall measure of employee satisfaction.

3

4 Overall, the data collected indicates a fairly low BSC familiarity amongst the
5 interviewees. It was particularly evident that several of the interviewees who
6 claimed to work in hotels that had adopted the BSC had a very limited
7 understanding of the archetypal BSC. Further, as the BSC's 'learning and
8 growth' dimension concerns theoretical dimensions of performance that are
9 most pertinent to HR managers, the extent to which the interview sample
10 exhibited limited experience with gauging performance pertinent to the range of
11 factors relating to the BSC's 'learning and growth' dimension was surprising.
12 The HR managers in hotels that claimed to have adopted the BSC tended to
13 operate performance measurement systems that were narrower than the
14 'learning and growth' framework advocated by Kaplan and Norton. It also
15 appeared that several of the hotels were failing to measure 'learning and growth'
16 theoretical dimensions that were viewed to be important by hotel management.
17 Details of the manner of BSC implementation for the hotels under examination
18 are presented in the final column of Table 1.

19

20 *HR performance systems utilized*

21 Interviewees were asked to describe the nature and components of the HR
22 oriented performance measurement system operated within their property. All of
23 the hotels represented conducted an employee opinion survey. It was also found

1 to be commonplace for the hotels to benchmark themselves against other hotels,
2 particularly in the case of chain properties. The strength of this external
3 benchmarking philosophy appeared to be greater than any convention of internal
4 benchmarking. In fact, it appeared to be the case that internal benchmarking of
5 employee satisfaction levels across different departments (e.g., F&B compared
6 to housekeeping) was viewed as inappropriate as the cultures of the two
7 working contexts were considered to be too disparate.

8

9 Employee surveys were generally used to gauge employees' satisfaction levels
10 with their job and sometimes with their line manager. Interviewee E's hotel
11 utilized what she described as an "*engaged Gallup Survey*" which concerns
12 "*how engaged they are in the workplace, whether they feel they have the tools*
13 *to do their job, being recognized, they feel that they belong here, sense of*
14 *ownership, etc and that's just based on 12 questions*". Of the two hotels that did
15 not periodically administer employee satisfaction surveys, one utilized an in-
16 depth performance measurement HR system and the other was shortly due to
17 initiate the administration of periodic employee surveys.

18

19 Guest opinion surveys were also mentioned by around half of the interviewees
20 as constituting an HR performance measure. It was interesting, however, that
21 there was no reference made to any attempts to link employee and guest
22 satisfaction levels. It appeared that guest surveys were perceived somewhat

1 narrowly as vehicles for identifying guest service operational facets that require
2 improvement and training.

3

4 *Attitudes towards and application of the 'learning and growth' BSC dimension*

5 A major focus of the study concerned an attempt to gauge the extent to which
6 'learning and growth' performance measures are being applied in the hotel
7 sector. To facilitate this, some time was spent in each interview familiarizing
8 interviewees with the five elements that Kaplan and Norton (1996) see as
9 underpinning the 'learning and growth' BSC dimension: employee capabilities,
10 employee lifestyle and well-being, tracking of employee tools, motivation of
11 employees and employee goal alignment.

12

13 It was found that none of the interviewees were familiar with the term 'learning
14 and growth' in the context of a performance measurement system. When asked
15 about the appropriateness of the term, most of the interviewees felt it failed to
16 adequately capture the focus of a desirable HR oriented performance
17 measurement system. The general view was that 'learning and growth' is too
18 narrow and with too much of a uni-dimensional focus on employee satisfaction.
19 This view of too narrow a focus is highlighted by a comment made by
20 Interviewee L: *"I think there is a little more to HR than just 'learning and
21 growth', so no, I don't think that term is really encompassing what the HR
22 departments do or should do"*. Several interviewee perspectives also suggest
23 misgivings over the implied content of a 'learning and growth' focused

1 performance measurement system. For example, Interviewee H commented “I
2 don’t sort of agree with ‘learning and growth’, but I would say communication
3 is probably one of the more important aspects of that sort of area when you are
4 interacting with associates”. Also, Interviewee D observed: “Development I’d
5 say would probably be better than ‘learning and growth’... If you talk to staff,
6 it’s not ‘learning and growth’, its development. Development covers
7 everything.”

8

9 It was also apparent that in those hotels that claimed to be using the BSC, the
10 HR managers had exhibited no appreciation of the five elements comprising the
11 ‘learning and growth’ dimension in an archetypal BSC application. It follows
12 that no hotel was observed to be monitoring all these five elements as a portfolio
13 in a measurement framework. Despite this, the majority of respondents
14 indicated that some of the elements included in the ‘learning and growth’
15 framework were being monitored, most usually by way of employee satisfaction
16 surveys.

17

18 To further our understanding of the **relative importance given to** the elements of
19 the ‘learning and growth’ dimension of the BSC in the context of hotel
20 management, each interviewee was asked to **rate** their perception of the
21 importance that their hotel’s management attaches to each of the ‘learning and
22 growth’ elements. The means of the **ratings** provided by the interviewees are
23 recorded as the first column of Table 2 with the ‘learning and growth’ elements

1 presented in declining mean **rating** sequence. The HR managers were also asked
2 to **rate** the degree to which each of the five ‘learning and growth’ elements is
3 measured by their hotel. The mean **ratings** resulting from this exercise are
4 presented in Table 2’s second data column. The table’s final column records
5 whether the difference in the mean **rating** of perceived importance and degree to
6 which each element is monitored is statistically significant.¹

7
8 Insert Table 2 about here

9
10 It is evident from the analysis presented in Table 2’s final column that the
11 perceived importance of four of the five ‘learning and growth’ elements do not
12 **rate** as statistically significantly different to the extent of measurement. The only
13 exception to this is ‘goal alignment of employees’ (importance **rating** is higher
14 than degree of measurement, $p < 0.1$). Overall, this suggests that the perceived
15 importance largely aligns with degree of measurement. Further, it is apparent
16 that “employee capabilities” **rates** highest in terms of perceived importance and
17 also degree of measurement. This relative consistency is also apparent at the
18 lower end of the **ratings** as “employee lifestyle and wellbeing” and “tracking of
19 employee tools” occupy the two lowest ranked positions in terms of both
20 perceived importance and also degree of measurement.

21

¹ It should be noted that the sample size upon which this analysis is based precludes the **promulgation** of generalisable claims. Accordingly, the analysis documented in Table 2 should be viewed as having been conducted within an exploratory research vein.

1 It is worthy of comment, however, that several anomalies were encountered at
2 the single property level of analysis. For instance, two respondents rated
3 employee motivation as second highest in importance, but noted that this factor
4 was not measured in their hotels. Further, in some hotels there were also
5 instances where employee capabilities were extensively monitored, yet they
6 were accorded low ratings in terms of perceived importance.

7

8 **Discussion**

9

10 This study has provided evidence of an apparent schism between academic
11 knowledge and practice with regards to the BSC concept in general and the
12 ‘learning and growth’ dimension of the BSC in particular. The findings suggest
13 limited awareness of the BSC concept amongst hotel managers, although data
14 collected precludes any judgment to be made as to whether this limited
15 awareness is peculiar to the HR function. The findings also suggest that despite
16 claims concerning the BSC’s potential to serve a quest for competitive
17 advantage, it is not being widely adopted in hotels. While it appears that the
18 attention directed to the BSC may have impacted positively on hotels’ use of a
19 breadth of measures, there appears to be limited specific reference to the BSC
20 term. This issue is noteworthy as it appeared that one of the hotel sites was in
21 the throes of introducing a broadly based performance measurement system,
22 akin to a BSC, however they did not appear to be using the term “BSC”. Evans
23 (2005) notes that the use of locally adapted terminology, when adopting broadly

1 based performance measurement systems, has had little impact upon the actual
2 performance measures adopted.

3

4 Despite the fact that two managers made strong claims that their hotels were
5 using the BSC, knowledge of the ‘learning and growth’ construct and the five
6 elements that it comprises was conspicuously absent. The Kaplan and Norton
7 doctrine with respect to what an HR oriented performance system should
8 comprise had not filtered through to any of the **participants** interviewed. As a
9 result, HR measures pertaining to ‘learning and growth’ appeared to have been
10 implemented in a manner that can be characterized as more **ad hoc** than
11 systematic.

12

13 It was notable that the HR managers provided a relatively unanimous front with
14 respect to a view that the ‘learning and growth’ terminology used by Kaplan and
15 Norton is deficient. The **participants** tended to view ‘learning and growth’ as a
16 dimension of employee satisfaction, and not the other way around. Without
17 exception, the interviewees saw a ‘learning and growth’ focus as concerned with
18 a subset of HR activities and not sufficiently broad to encompass the range of
19 HR functions.

20

21 These findings have a number of implications. Firstly, it appears the BSC may
22 need further ‘selling’ to the hotel industry if claims with respect to its capacity
23 to represent a source of competitive advantage are to gain broader acceptance.

1 Such acceptance could be stimulated by case study research concerned with
2 exploring the relative merits deriving to hotels that have applied the BSC. It is
3 noteworthy that the ‘learning and growth’ dimension of the BSC is widely
4 regarded as being the softest of the BSC’s four pillars in terms of focus and the
5 capacity to identify a core set of objectively verifiable measures. This factor
6 may partially account for the lack of BSC awareness amongst hotel HR
7 managers. Despite this extenuating factor, findings in this study suggest that the
8 pertinence of the BSC framework to hotel HR managers is undermined by use
9 of the term ‘learning and growth’ when referring to HR oriented BSC measures.
10 This signifies that agents of organizational change who seek to introduce the
11 BSC to hotels might usefully consider an alternative label when referring to HR
12 oriented measures.

13

14 The study’s findings also signify that HR managers may be failing to capitalize
15 on the opportunity to more fully integrate HR oriented performance measures
16 with the performance measurement framework of the entire organization. There
17 appears to be a danger that hotels that purport to be using the BSC framework
18 are not gaining the full benefits of the systems as their BSC implementation is
19 partial. An analogy arises here with respect to the manner of TQM theory
20 application (Samson & Daft, 2003). A more complete appreciation of Kaplan
21 and Norton’s proposed ‘learning and growth’ dimension of the BSC would
22 likely equip HR managers with a greater capacity to contribute to overall hotel
23 performance as a result of an improved capability to gauge the manner in which

1 HR contributes to overall performance. It has long been recognized that it is
2 difficult to render HR accountable by making its outputs measurable. It may
3 well be that Kaplan and Norton's model provides a promising starting point in
4 alleviating this measurement challenge.

5
6 The study was based within the hotel industry and the participants interviewed
7 were all working in hotels along the same coastal resort strip. Although this
8 limits the generalisability of the results, it should be noted that most of the
9 properties visited were managed as part of a large chain with an overseas head
10 office (frequently based in the US). This signifies that the findings do provide a
11 representation of practices being undertaken by hotels that operate as part of
12 large international chain. It was notable that in the cases where the BSC was
13 claimed to have been adopted, the implementation had been initiated by head
14 office.

17 **Future research and conclusion**

18
19 It should be noted that this study suffers from all the limitations generally
20 associated with qualitative research. These limitations include the degree of
21 subjectivity that is bound to be invoked by researchers when conducting
22 interviews and analysing data collected, and also the fact that the size of the
23 sample examined precludes any confident generalisation of the findings to a

1 broad population. For this reason, the study's findings should be viewed in an
2 exploratory light. A potentially useful way of building on this study's initiative
3 would be to extend the investigation by way of a survey. Such a survey could
4 seek to confirm the study's observations with respect to the degree that hotel
5 HR managers are familiar with the 'learning and growth' dimension of the BSC
6 and also the degree to which hotels are employing a suite of measures such as
7 that proposed within the 'learning and growth' dimension of the BSC. This
8 would provide a stronger basis for generating more generalisable findings.
9 Despite this highlighted caveat, it appears the study reported herein represented
10 an appropriate first step in gauging the pertinence of the 'learning and growth'
11 dimension of the BSC to hotel HR managers.

12

13 Further research concerned with determining how measures of the elements
14 comprising the **learning** and growth dimension of the BSC are being
15 operationalised in hotels that have adopted the BSC is also to be encouraged.
16 The findings of such a research initiative could provide useful pointers to other
17 hotels considering a revision to their performance measurement system.

18

19 Finally an extension of this research initiative to other sectors outside the hotel
20 industry could yield useful insight with respect to the relative standing of the
21 hotel sector with respect to the issues under examination. It may be that hotels
22 can learn from the way that other industries are operationalising 'learning and
23 growth' measures of performance. It would be particularly helpful to secure

1 management's perspectives with respect to the degree that a balanced 'learning
2 and growth' framework of measures operating in the context of a BSC can add
3 to an organization's competitive advantage.

4

1

2

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TABLE 1
Interviewee demographics

ID	Star rating	Main activities	Focus of HRM performance measurement system	BSC status
A	4.5	Accommodation, F&B and conferencing.	Service cost against each room; monthly guest satisfaction survey report; annual staff satisfaction survey (by department)	No knowledge of BSC
B	5	Accommodation, F&B and conferencing.	Measured performance target system linked to job costing system for each job and department.	Implemented an adapted version of BSC. No formal BSC training provided.
C	5	Accommodation, F&B and conferencing.	Employee survey; benchmarking on turnover; P&L, market share and guest survey results.	Extensive training and implementation of an adapted BSC. Not measuring all aspects of 'learning and growth'
D	4.5	Leisure & conferencing.	Annual employee survey	No knowledge of BSC
E	4	Conferencing, sport & leisure.	Customer feedback, Employee 'engaged' gallup survey	No knowledge of BSC
F	4.5	Domestic tourism.	Employee survey	No knowledge of BSC
G	5	Accommodation	Performance appraisals; performance targets	No knowledge of BSC
H	4	Accommodation	Annual HR audit; benchmark against self & other properties.	BSC implemented, but limited with respect to 'learning and growth' dimensions.
I	3.5	Accommodation, F&B and Conferencing.	Self-review and benchmark with other hotels; Employee survey	No knowledge of BSC
J	4.5	Accommodation, F&B and conferencing.	Turnover, exit interviews, annual employee survey (internal only)	No knowledge of BSC
K	3.5	Leisure & accommodation	Employee survey	No knowledge of BSC
L	5	Accommodation, conferencing & sport leisure.	Turnover; performance appraisal; employee survey; guest feedback; industry benchmark.	BSC training but minimal implementation.
M	4.5	International and domestic tourists	Guest feedback cards; annual employee survey	BSC principals not applied.
N	3.5	Accommodation, F&B and conferencing.	Annual employee 'pulse' survey of full-time employees (quarterly); guest satisfaction survey; turnover	BSC implemented, for finance, but not for 'learning and growth'.

3

1 **TABLE 2 Analysis of HRM dimensions of performance and importance attached to**
 2 **measurement**

	Relative importance mean ranking	Degree of measurement mean ranking	Importance relative to degree of measurement	Paired Samples T-Test [#]
Employee capabilities	1.4	1.5	Lower	$t = -0.563,$ $p > .05$
Goal alignment of employees	2.2	3.0	Lower	$t = -0.185,$ $p > .05$
Motivation of employees	2.4	2.5	Lower	$t = -0.185,$ $p > .05$
Tracking of employee tools	3.3	2.8	Higher	$t = 1.393,$ $p > .05$
Employee lifestyle and wellbeing	3.4	3.8	Lower	$t = -0.938,$ $p > .05$

* n = 14; #2-tailed tests used

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