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The Balanced Scorecard and Strategic Control: A Hotel Case Study Analysis

P.A. PHILLIPS

Over the past decade, the literature has seen a proliferation in articles relating to the balanced scorecard, which has been motivated by managers' needs to develop a more balanced view of performance measurement. Despite global adoption by organisations in the private and public sector, the question of how the balanced scorecard could be used as a strategic control tool has rarely been directly discussed. Academic research has tended to have a strong predilection for studies assessing the balanced scorecard as a control tool utilising metrics to report various achievements of targets. A longitudinal case study approach is used over a three year period, which seeks to deepen understanding about the theoretical and practical aspects of the balanced scorecard as a strategic control tool. It is anticipated that this would illuminate the way in which the balanced scorecard has intertwined in the fabric of organisational life and how it positions itself in the wider social context in which it was embedded. The findings of the case study reveal that over-reliance on the successful achievement of balanced scorecard metrics without a focus on strategic control could lead to an organisation having to pursue an exit strategy for a profitable product.

INTRODUCTION

During the last two decades there has been a plethora of performance measurement systems with advocated models drawing on both qualitative and quantitative perspectives. Models such as success dimension [Shenhar and Dvir, 1996], performance prism, [Neely *et al.*, 2002] and balanced scorecard [Kaplan and Norton, 1992] have used the classification of indicators into different categories. Since its development in the early 1990s, the balanced scorecard has been written about extensively. This can be illustrated by a citation analysis drawn from the papers presented at the First and Second International Conferences on Performance Measurement, when it was noted that the balanced scorecard was the predominate

underlying theory to the field [Marr and Schiuma, 2002]. However, in conclusion, Marr and Schiuma [2002] suggest that the performance measurement field would benefit from a larger range of methodologies in order to triangulate research findings. This paper will argue that the successful implementation and outcome of the balanced scorecard would be significantly improved from observations that provide a more cogent and comprehensive perspective to address the issue of strategic control. Building upon the latter point, the key objective of this paper is to describe, understand and highlight the problems of the deployment of the balanced scorecard as a strategic control tool. It is anticipated that a conceptual framework will be developed that provides academic and practical insights. This study extends the knowledge of the balanced scorecard by focusing on the service sector and provides controls for market-level influences by being restricted to the hotel sector.

The remainder of this paper is organised as follows. First, the evolution of the balanced scorecard and strategic control are discussed. The concern here is to explore the balanced scorecard's power to sustain and enhance its importance as a strategic control tool. Next, the research method is outlined, followed by a presentation of the findings. Finally, the findings of the study are reviewed, major themes are discussed, and conclusions and managerial implications drawn.

THE EVOLUTION OF THE BALANCED SCORECARD

Improving business performance has been one of the central tenets of management and remains fundamental to organisational success [Neely, 1999]. Despite the evanescent view that managers can operate solely with accounting-based indicators, strict financial outcomes remain the dominant measures utilised. During the last decade, an increasing number of scholars and practitioners have expressed disquiet with traditional quantitative performance measures that tend to focus on conventional financial *post hoc* indicators [e.g. Fitzgerald and Moon, 1996; Wright, 1998; Buckmaster, 2000].

Reliance upon accounting-based performance indicators have been highlighted as inadequate in the service sector [e.g. Fitzgerald and Moon, 1996; Ittner and Larcker, 1998]. Two approaches have been advocated in attempts to overcome the limitations of historically based measures. The first is the enhancement of accounting information used to support the management control and decision-making processes within the organisation. The second is to identify performance measures that are broader in focus and include qualitative measures. The balanced scorecard, with its emphasis on financial, customer, internal business processes and learning and growth, has been widely adopted by manufacturing, service, non-profit and government organisations around the globe [Olve *et al.*, 1999]. The balanced scorecard has evolved to fulfil two control roles within organisations at a strategic and operational level. At the strategic level the focus is on trying to determine what the organisation is aiming to achieve, while at the operational level the focus is on trying to determine the salient processes to be monitored.

Kaplan and Norton's [1992] balanced scorecard has emerged as a ubiquitous performance managerial tool that provides managers with the mechanisms to develop performance objectives and measures linked to strategy. The balanced scorecard methodology acknowledges the deficiencies in many business performance measurement systems, which often rely totally on financial measures and attempts to overcome the deficiencies of existing measurement systems by measuring and analysing results across a range of activities [Sanger, 1998]. An additional byproduct of the balanced scorecard is the role that it can play in change management, which goes well beyond the original idea of simply broadening the performance measures [Kaplan and Norton, 1996].

The balanced scorecard concept presents a significant challenge to underlying assumptions regarding performance measurement and highlights the need to observe measures from four perspectives: financial performance, customer relations, internal business process and learning and growth activities [Kaplan and Norton, 1992]. Notwithstanding the fact that the balanced scorecard only recognises three stakeholders: shareholders (financial performance), customers (customer relations) and employees (internal business process and learning and growth), and ignores two significant stakeholders: environment and social matters [Brignall, 2002], the balanced scorecard has metamorphosed managers' view of performance. The balanced scorecard makes a 'compelling case' for the inclusion of both financial and non-financial metrics in a performance measurement system. An effective balanced scorecard will articulate the strategic direction of the company, the motivation for that strategic direction and how it will improve the organisation's performance [Whittaker, 2001].

The balanced scorecard has evolved from a mere two-by-two matrix approach for performance measurement through at least another two generations [Cobbold and Lawrie, 2002]. The first generation balanced scorecards were primarily marketed as a control tool for managers with the 'red, yellow, green' reporting of achievement of targets, with green indicating a job well done, yellow meaning scope for improvement and red needing immediate attention. Despite the balanced scorecard success, limitations have been raised in both the academic and practitioner literature. Problems have been highlighted such as: its key assumptions and relationships [Norrekilt, 2000]; not providing guidance as to how to improve performance to achieve the desired strategic results [Gautraeu and Kleiner, 2001]; its confusion of cause and effect with finality [Norrekilt, 2000]; being costly in terms of cash and time [Lipe and Salterio, 2000; Gautraeu and Kleiner, 2001]; the volume of data may overload human decision-makers [Lipe and Salterio, 2002]. Notwithstanding conflict among managers [Letza, 1996], the greatest threat when using the balanced scorecard is perhaps if managers select the wrong measures, group these into the four proposed perspectives and then focus on the wrong issues.

The second generation balanced scorecard moved away from an attitudinal approach, to the selection of measures which had an explicit link between strategy objectives and measures. The identification of cause-and-effect relationships are an important attribute of the balanced scorecard when selecting appropriate indicators [Mooraj *et al.*, 1999]. A strategy map can be used to specify the critical elements

and their linkages for an organisation's strategy [Kaplan and Norton, 2001a]. The strategy map is usually depicted as a two-dimensional perspective of the operations (functions) and strategy of an organisation. Financial objectives being the final goal are at the top of the strategy map, with the strategic objectives of customer perspective, internal business process and learning and growth connected by arrows indicating the cause-and-effect analysis. This was a significant step, as the balanced scorecard, being the embodiment of business unit strategy, should act as a conduit for the communication of strategy. Kaplan and Norton [1996] realised that early adopters found that the balanced scorecard could help their organisations implement and manage strategy. Therefore the key contribution of the second generation balanced scorecard was the replacement of simplistic causality between perspectives with identifiable cause-and-effect relationships of strategic management with performance management.

The third generation balanced scorecard provides managers with greater appreciation of strategy by enhanced functionality in modelling, studying and co-ordinating holistic relationships over time [Olve *et al.*, 1999]. Proper planning and awareness, particularly in relation to balanced scorecard software systems, can overcome shortfalls [Gautraeu and Kleiner, 2001]. Third generation balanced scorecards seek to drive transformational change and breakthrough results throughout the organisation. Balanced scorecards that integrate systems theory can use simulations to test alternative scenarios. Cobbold and Lawrie [2002] refer to a 'destination statement', which is used to check the objectives, measures and targets initially selected. Kaplan and Norton [2001a] have asserted that the balanced scorecard can be used as an organisation framework for successful strategy implementation. For example, Kaplan and Norton [2001b:158] state that 'it's not just what is measured, but how the measurements are used that determines organisational success' and that success is reinforced when incorporated with a multiplicity of management processes. According to Kaplan and Norton [2001a] the balanced scorecard can be used to help create the strategy-focused organisation, as the tool has uses beyond performance measurement to strategic management. The strategy-focused organisation is based on a common set of five principles: (i) translate the strategy to operational terms; (ii) align the organisational to the strategy; (iii) make strategy everyone's day job; (iv) make strategy a continual process; and (v) mobilise leadership for change.

SYSTEMS OF STRATEGIC CONTROL

The negative and positive aspects of the term control have been elucidated in the literature [Quinn, 1996]. Negative connotations relate to 'going out of control' and the 'threat of disapprobation'. A positive connotation of the term control can relate to a 'warning bell', where a lead indicator is used to monitor strategic progress and ensure the implementation of strategic plans [e.g. Ittner and Larker, 1997]. This latter connotation is perceived as one of the most valuable aspects of a strategic control system.

As well as being viewed as a strategic management system, the balanced scorecard can act as a strategic control system to align departmental and personal goals

[Norrekilt, 2000]. In one of the few papers that combines the balanced scorecard and strategic control, Veen-Dirks and Wijn [2002] state that strategic control is a formal system which aims at reviewing and reformulating strategy. The concept of strategic control is multifaceted and ambiguous, with several perspectives on strategy being discussed in the literature. Strategic control systems have been advocated as a way of ensuring that the strategy content is changed in light of invalid planning assumptions and emerging opportunities and threats [Muralidharan, 1997]. Using case analysis, three important implications were raised by Muralidharan [1997]. First, managers must establish systems to recognise and respond to environmental changes and to change planning assumptions. Second, managers must be prepared to retract their commitment to pre-planned courses of action. Third, managers must engage staff to the strategic control process by involving them in the decision-making process.

Simons [1995] identified four levers of control: diagnostic control systems; belief systems; boundary systems; and interactive control systems. Each sub-system is capable of reconciling the tension between innovation and efficiency, which as a strategic control tool can enhance performance. For the system to be effective, according to Simons, necessitates the existence of dialogue and exchange. Adopting an opposing view of control, Stacey [1993] sees rational systems of control as illusory and perceives the operation of strategic control as self-organising. Stacey asserts that the cognitive gap between means and ends is not the result of a lack of investment being applied to the problem but is the result of the inherent processes and structure of the system and as such is unavoidable.

Two kinds of strategic controls can be elucidated: results control and actions control [Merchant, 1985; Quinn, 1996]. The first approach is based on a goal-setting activity where there is a lag between setting the goal and achieving the desired results. Matters are further complicated by the fact that the time period could be several years and the motivation to achieve goals is inversely proportional to the time taken for the goal to be realised. Hrebiniak and Joyce [1984] state that it is necessary to introduce milestones to overcome this 'management myopia'. These milestones can be broken down into annual targets, which play an integral part of the annual report.

The second approach of action control is a strategic level problem-solving activity which tends to involve a longer time period. Again, for control purposes it is necessary to break this down into smaller chunks. Despite representing different perspectives on control, both approaches attempt to link the means with the ends. However, it must be borne in mind that not all intended or deliberate strategies actually become the realised strategy [Mintzberg and Waters, 1985].

Strategic control involves both 'feedback' and 'feed forward' (preventive) elements and the focus is on the key success factors [Bungay and Goold, 1991]. Nevertheless, organisations can experience two primary problems with respect to their choice of performance measures used for strategic control: (i) incorrect measures will lead to attention being placed on the wrong objectives and (ii) improvements in strategic performance measures may not be linked to the desired strategic outcomes [Ittner and Larcker, 1997]. Therefore, given the increasing complexity in the internal and external environment, the control component of strategy represents

one of the central activities of senior management [Muralidharan and Hamilton III, 1999].

Despite the strategic management literature arguing that strategic control is different from management control [e.g. Ittner and Larcker, 1997; Muralidharan, 1997] the terms strategic and management control are sometimes used interchangeably. Anthony [1965] has defined the term management control as 'the process by which managers ensure that resources are obtained and used effectively and efficiently in the accomplishment of organisation's objectives'. This financial-based control of planning, budgetary control, does not explicitly deal with the organisation's progress relative to competitors, non-financial objectives that may be crucial to the attainment of secure profitability and competitive strength, or longer-term strategic goals and objectives [Ittner and Larcker, 1997]. Moreover, the added level of complexity in the external environment has led academics to talk about how management control systems could interact with strategy [e.g. Dent, 1990; Simons, 1990; Langfield-Smith, 1997]. A critique of the literature by Quinn [1996] revealed disparate approaches to the design of strategic control systems, ranging from processes that support the strategy including environmental monitoring and crisis trigger points [Preble, 1992] to reward systems [Govindarajan, 1984].

METHODOLOGY

Brander-Brown and McDonnell [1995] hoped that the outcome of their research would stimulate the use of the balanced scorecard within the hotel sector. However, Huckstein and Duboff [1999], who detail the use of the balanced scorecard in Hilton hotels and Denton and White [2000] have been the few academic papers published on the practical aspects of the balanced scorecard. Huckstein and Duboff [1999], through the use of a case study, examined how Hilton Hotels use the balanced scorecard to deliver consistent value for its stakeholders. Integral to the success of the balanced scorecard was the premise that tracking corporate performance must look beyond hard financial indicators. Diagnostic results were communicated in a simple and effective manner using green, yellow, red rubrics. Cobbold and Lawrie [2002] assert that the balanced scorecard can be used to support two distinct management activities – management control and strategic control. This has been illustrated in a step-by-step analysis of the development process of the balanced scorecard as a strategic control tool [Denton and White, 2000]. Using a case study approach, Denton and White highlighted how the balanced scorecard could be used as a strategic control tool in the US hotel sector. The implemented balanced scorecard was used as an early warning sign of potential difficulties that management can address long before the situation affects the bottom line.

This study adopts a longitudinal approach over a three year period and seeks to deepen understanding about the theoretical and practical aspects of the balanced scorecard as a strategic control tool. It is anticipated that this would illuminate the way in which the balanced scorecard has intertwined in the fabric of organisational life and how it positions itself in the wider social context in which it was embedded. Using the approach suggested by Kaplan and Norton [2001a], the research method employed

was that of field research with an emphasis on studying the implementation of the balanced scorecard in a major UK hotel company. In addition to looking at the management and strategic control processes, a secondary objective was to explore whether there were any performance differences among those hotel units that were at different stages of balanced scorecard implementation.

The fieldwork, which was performed over a three year period, is based on a series of semi-structured interviews, email exchanges and telephone conversations with the strategy director and the service quality manager who were actively involved in the implementation of the balanced scorecard. In addition, archival and company presentation data were obtained from corporate presentation events and used to gather financial and strategic data about the case organisation.

CASE STUDY ORGANISATION

The case study organisation is a hotel company that is part of a group that has undergone significant transformation through recent disposal and acquisition transactions. The case study organisation sought to be Britain's No.1 Hotel Company and is constantly looking to maximise shareholder value opportunities. One of the key initial strategic goals of the company was to enhance profit per room. The balanced scorecard has been employed since 1996 and used as the core mechanism to align values, strategy and vision.

FINDINGS

2002–03

During financial year 2002–03 the case organisation was the only hotel group within its competitive peer set to produce a positive operating margin, but its profit per room was below its competitive peer group. Ansoff's matrix [1965] is used to illustrate the company's growth strategies in Figure 1. The hotel company is simultaneously pursuing all four product-market combinations. The market penetration strategy is seeking to squeeze the efficiency of its existing asset base. This strategy was being pursued by its competitive peer set in the aftermath of 11 September 2001. The

FIGURE 1
CASE ORGANISATION'S COMPETITIVE MARKETING STRATEGY

	Existing products	New products
Existing markets	Market penetration strategy: Improving returns from existing asset base	Product development strategy: New brand developments in core markets
New markets	Market development strategy: Focus on growth markets	Diversification strategy: Implementing organic expansion

Source: Adapted from Ansoff Matrix (1965).

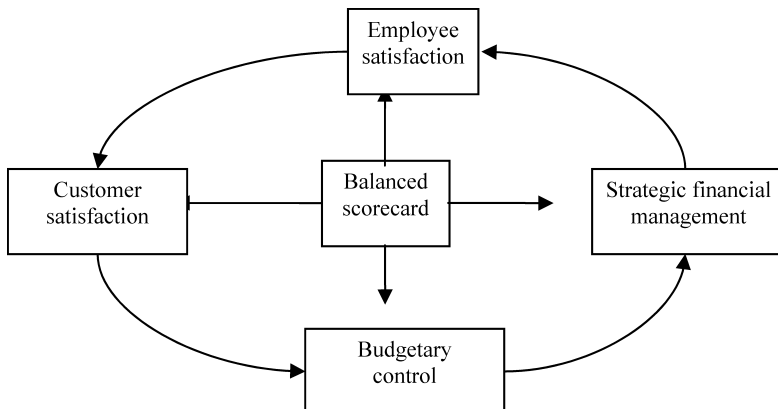
product development strategy is looking to supply new products/services to its existing customer base. The case organisation is seeking to implement a market development strategy, achieving growth through its existing products/services being targeted at new market segments. The most risky strategy involves trying to pursue an organic expansion through related diversification into new businesses by developing new products for new markets.

The case organisation placed much emphasis on understanding consumers' needs; developing a compelling brand proposition; operational excellence and performance management. These actions were monitored through the use of the balanced scorecard. The balanced scorecard was seen primarily as a tool for measuring and communicating hotel performance in a way that is understood by all employees throughout the organisation. Emphasis is placed on setting stretching targets for managers that may change in the short term to fit a particular goal. It was felt that the physical conversion of tangible assets is easy, but bringing people along is the difficult task. The organisation's culture was seen as a primary vehicle for enabling the balanced scorecard to be implemented successfully. New staff were introduced to the organisation culture through an induction programme that did not consider operational issues, but outlined how fundamental culture is to the organisation. Bonuses were dependent on the attainment of balanced scorecard objectives.

The company successfully implemented the balanced scorecard using the following four high level measures (see Figure 2):

- Employee satisfaction – emphasis is on labour turnover;
- Customer satisfaction – emphasis is on guest satisfaction survey;
- Financial attainment against budget – emphasis is on comparison of operating performance relative to budgets;
- Strategic financial performance – emphasis is on financial performance relative to competitor set.

FIGURE 2
CASE EVIDENCE OF A STRATEGY-FOCUSED HOTELORGANISTION



The balanced scorecard operates from the corporate level down to the hotel department level with senior management wishing to align the organisational objectives. Benchmarking among the hotel units takes place monthly and a three colour coding scheme is used to help employees assimilate and quickly interpret performance. Hotel managers aspire to be operating with green lights, which mean meeting or beating targets. A yellow light shows better than last year but below target. Best practice is quickly identified and interventions are used to turn around underperforming 'red light' units, which have not successfully implemented their balanced scorecard.

In addition to the four high levels, case analysis suggests that a fifth dimension, learning and growth, is implicitly used throughout the organisation. Learning and growth would appear to incorporate both tangible and intangible assets – skills and knowledge, culture and behaviour and technology infrastructure. An illustration of this is the award-winning cross-training programme, which was used within the organisation to increase the skills and abilities of employees, so that they can successfully fulfil the demands of their work. It has an additional benefit of allowing staff to develop skills in other areas, thereby increasing opportunities for promotion into higher positions. Culture (national, occupational and organisational) and behaviour are reinforced through the philosophy of the organisation, which encourages empowerment. IT is viewed as an enabler and is used to enhance the communication infrastructure to support decision making. Decision making effectiveness across organisational hierarchies and processes are optimised through shared values and beliefs. It would appear that the hotel units that had fully implemented the balanced scorecard performed at higher levels than those that had not. Table 1 shows some evidence of how the five stages were identified and measures used to make the assessment.

2003–04

At the corporate group level the organisation was able to deliver a continued year-on-year improvement on group return on capital employed. Significant changes were made to the senior management team during the year and the underlying business was perceived by management to be resilient. The company was being positioned for the next period of growth with emphasis on investing in businesses capable of generating significant growth and profit; and releasing and returning surplus capital back to shareholders. As a consequence of implementing a culture-change management programme which sought to improve service from good to excellent, the hotel group's managing director won a prestigious 'Business Leader of the Year' award. During this period, the hotels division had grown by more than 400 per cent and was contributing nearly 50 per cent of the group's profits

The hotel business is generally seen as risky for owners and investors [Andrew, 1984]. The investment risk stems from the core fundamentals of the hotel business, namely, room rate and occupancy fluctuations, changes in the cost and availability of capital and variability in returns [Ismail *et al.*, 2002]. Matters are not helped by the fact that the 'perfect storm' of 2001 complicated investment decisions with hotel companies paying increasingly more attention to brand-related issues across their portfolio.

TABLE I
CASE EVIDENCE OF A STRATEGY-FOCUSED HOTEL ORGANISATION

Strategy-focused organisation dimension	Strategy-focused organisation attributes	Case study evidence
Translate the strategy to operational terms	• Clear mission/vision • Strategy maps • Implemented balanced scorecard • Defined targets • Organisational wide Initiatives	Implemented balanced scorecard with clearly defined mission/vision and organisational wide initiatives.
Align the organisation to the strategy	• Corporate role • Corporate SBU • SBU shared services • External partners	Aligned values, strategy and vision.
Make strategy everyone's day job	• Strategy awareness • Goal alignment • Linked incentives	Balanced scorecard awareness throughout company helped by top down communication. Financial rewards linked with Balanced scorecard.
Make strategy a continual process	• Linked to budgeting • Liked to operations mgt • Management meetings • Feedback system • Learning process	Evidence of strategic learning and management control loops, which enable managers to look beyond 12 months.
Mobilise leadership for change	• CEO sponsorship • Executive team engaged • New way of managing • Accountable for strategy • Performance culture	Evidence of transformational change management process, which incorporates cluster management. Clear sense of urgency, governance and performance culture

Organisation metrics provide a useful link between strategy, execution and shareholder value. It is no longer sufficient to simply evolve metrics during turbulent times. Metrics should be proactively designed and managed [Melnik *et al.*, 2004]. Encouragingly, during the period 2003–04 the case company highlighted the importance of good organic growth of its brands with success in like-for-like sales growth and double digit profit growth. The hotel group produced a robust set of performance data, with its profit per room out-performing its best-in-class peer group. Yet the hotel group produced an unacceptably low return on capital employed, which led to a new management business model of sale and management buy-back.

Interestingly, some external constituents were using the richer 'metrics set' as a basis for enhancing communication between the case organisation and the City, and were questioning the strategic performance of the hotel group's upscale product. Capital markets emphasise quarterly financial metrics which adversely affects the share price of those companies who do not meet earnings expectations. Hotel groups were experiencing difficulties in demonstrating that they were attractive investments. Full feature hotels were looking beyond the customer satisfaction of

their respective target markets and implementing appropriate customer loyalty strategies. Trying to build strong relationships with all types of customers was not the most effective response. It is more important to build and maintain the right level of relationships with the right customers, which in the hotel case organisation led to an optimum use of group resources.

2004–05

During 2003 many commentators were citing problems of doing business and *Business Week* [2003] reported that in every country (within Euroland) in just about every sector of the economy, managers were complaining that demand was falling, political uncertainty was rising and profits were plunging. It was encouraging to see ‘green shoots’ in 2004 with the European hotel market projecting an upturn. Practitioners such as Bock and Forster [2005] believed that ‘There has never been a more exciting time for the European hotel investment market, with a growing trend amongst the publicly listed hotel companies to drive earnings and increase the return on capital employed by divesting of ownership, whilst maintaining management control.’

In contrast, the case organisation found the market a challenge, although it outperformed its peer group. Ominously, though, senior management noted that the return on capital employed remained ‘unacceptably low’ at a significant discount to the group’s corresponding figure. During the summer of 2004 the CEO began a review to identify the actions required to achieve the company’s vision. The review involved a reappraisal of business plans, obtaining views from stakeholders (internal and external) and a reassessment of the competitive environment and projected growth.

The outcomes of the review set forth a new strategy for the company. There were four pillars, which focused on: exiting the operation and ownership of its upscale hotel group; generating return on capital employed ahead of the cost of capital; achieving sustainable growth; and enhancing shareholder returns. Senior management decided to return significant cash to shareholders. It was anticipated that exiting from the upscale hotel sector would improve the company’s return on capital and earning’s per share. This was despite the upscale hotel group delivering like-for-like sales growth for the first year since 2000/01 and occupancy rising by 1.8 percentage points to 72.6 per cent. In addition, the achieved room rate in the upscale hotel division improved by 4 per cent to approximately £72, together with a corresponding 6.8 per cent increase in room yield. However, the Board felt that disposal fulfilled the strategic objectives outlined during the autumn. The transaction created more value and realised more capital in a shorter time than the sale and manage back processes outlined during the review.

DISCUSSION

The main justification for this research study is principally derived from a new set of concerns perceived by both academics and decision-makers at hotel group level. Academics are still grappling with the concept of strategic control. Managers responsible for developing and implementing performance measurement systems are reflecting

more on the concept of strategic control. The business consequences of the impacts derived from the appearance of multidimensional competitors, the saturation of key market segments, the downward price pressure and drive towards price discounting, the lower levels of return on capital employed highlight the importance of the balanced scorecard/strategic control link.

The case organisation eventually recognised the difference between diagnostic (formal systems focusing on adherence to plan) and interactive (focusing on strategic uncertainties and strategic review) control and adopted a third approach, strategic control. If senior management paid attention to planning and results in accordance with the formal strategy, there would have been no need to pursue an exit strategy for the upscale hotel group. By eventually adopting a strategic control approach, senior management kept abreast of changes in the competitive environment and reacted by adjusting their strategy. During 2004–05 the case organisation addressed the three strategic control points raised by Muralidharan, [1997]. First, management established a system built around the balanced scorecard, which recognised and responded to environmental changes and to changed planning assumptions. For example, despite the hotel group achieving one of its targets for organisational success, it had to change its financial management planning assumptions. Second, management was committed to expanding the hotel group to achieve its goal of being Britain's No.1 Hotel Company. However, the failure of the hotel group to deliver return on capital in excess of the cost of capital caused it to retract its commitment to pre-planned courses of action. Third, senior managers attempted to engage staff with the strategic control process by involving them in the decision-making process.

The case study findings reveals that the use of the balanced scorecard as a strategic control tool would appear to help organisations converge strategic thinking, determine how to achieve strategic goals and monitor lead indicators that will help indicate when changes need to be made to strategy. It would appear that the case organisation used the principles of the strategy-focused organisation to achieve alignment as portrayed by Kaplan and Norton [2001a]. Kaplan and Norton's [2001a] strategy-focused organisation reinforces the practices of successful scorecard adopters. The hotel group made a strategic decision to move strategy out of the boardroom into the 'hearts and minds' of all staff. They made strategy a living, dynamic process that all staff sought to implement. Their two in-house programmes, increased spend per customer and enhanced service quality, were successful.

Managers operating in different service sector businesses need to remember that there is no universally appropriate balanced scorecard system which applies equally to all organisations. The appropriate metrics will depend on the strategic orientation of the business [Miles and Snow, 1978] and the current dynamics of the industry. Specific industries may require different approaches to the balanced scorecard and strategic control.

This longitudinal study shed additional light on the relationship between strategy, execution and shareholder value. Ultimately, if the wrong strategy gets executed and fails to deliver the required returns, senior management remain under pressure to make better use of scarce resources. However, research by Veen-Dirks and Wijn [2002] suggests that the sole use of a balanced scorecard as a strategic control tool

may not be ideal in a dynamic market with fast-changing customer needs. They highlight that the current strategy is used as a basis for filling out the balanced scorecard and implementation of the strategy is a major reason for its use. Critical success factors can be employed to establish a direct relationship with the market (the CSF method of strategic control).

While it may be misleading to generalise from the findings from a single case organisation, the results enrich understanding of strategic control and the strategy-focused organisation in a hotel environment. The next step for future research is to develop richer case studies across hotel groups so that the ambiguities, tensions and organisational contradictions are identified and incorporated into Figure 1. In addition, the use of multiple research methods is advocated to explore the key factors in using the balanced scorecard as a strategic control tool. Finally further comparative research may seek to identify whether the case study organisation is unique or whether the study suggests a pattern.

CONCLUSION AND IMPLICATIONS

The original purpose of the balanced scorecard was to communicate and implement strategy. However, the balanced scorecard needs to be modified during change management initiatives. In the case organisation the balanced scorecard was used as a change management tool, which had some success. A rigid hierarchical structure without a common culture throughout the organisation may need to be changed prior to the implementation of the balanced scorecard.

The case organisation clearly recognised the importance of both the operational and strategic balanced scorecard. The balanced scorecard creates an agreed-upon mechanism that provides both head office, hotel general managers and staff with a quick indication of how well each property is performing vis-à-vis other hotel units. The balanced scorecard has a number of major characteristics that, when taken together, distinguish it from previous performance management frameworks.

According to Kaplan and Norton [2001] the balanced scorecard is most effective when it is part of a major change process in the organisation. Sometimes the need for change is obvious but strategic control suggests that this is not always the case. Given the role strategic control systems can play in signalling changes to strategy, the absence of a strategic control system may lead management to pay attention to planning and results in accordance with strategy, with little reason to change the strategy. Despite the case hotel organisation fulfilling some of its objectives, ultimately the return on capital employed was below the group average. This clearly indicates that the sole use of the balanced scorecard does not automatically lead to organisational success.

The results of the study suggest that:

1. Hotel groups should not forget the strategic aspect of their balanced scorecard and ensure that attention is placed on monitoring results against objectives and against other organisational strategic business units. Ideally, senior management needs to identify signals which suggest changes are required to strategy. The absence of a

strategic control system may lead management to pay attention to planning and results in accordance with strategy, with little reason to change the strategy.

2. Effective benchmarking still remains an issue for managers. Phillips and Appiah-Adu [1998] encouraged the hotel sector to use benchmarking to improve the strategic planning process and help identify and close gaps between their competitors through improved marketing effectiveness. Value-added decisions can only be made if all managers have access to appropriate information. This suggests that hotel groups should attempt to benchmark themselves against best-in-class, which may involve benchmarking against non-hotel companies.
3. Organisational success is about much more than just profitability, and the ability to deliver short-term financial results in a complex business environment. How senior managers select strategy and cope with the demands of various stakeholders presents a significant challenge. If success is not achieved this could lead to a rapid exit strategy.
4. A balanced set of performance metrics provide an essential link between organisational strategy, strategy execution and performance. Over-reliance on quantitative performance indicators still remains an issue. This was one of the major components of the balanced scorecard and remains a useful managerial tool.

As previously stated, the balanced scorecard only recognises three stakeholders: shareholders (financial performance), customers (customer relations) and employees (internal business process and learning and growth) and ignores stakeholder environment [Brignall, 2002]. Hotel commentators are extremely influential on the share price performance of hotel groups and shifts taking place in the industry need to be incorporated into the strategic plan. For example, during 2005 the hotel industry experienced significant changes. In a sudden departure from the past and in an effort to address marketing inefficiencies, three senior hotel appointments went to managers from outside the hotel industry. Hilton group appointed Ian Carter (aged 43) from the Black & Decker Do-It-Yourself group, as Chief Executive; Whitbread recruited Chris Rodgers (aged 44) from the Woolworths group as its Finance Director; and Inter-Continental Hotels recruited Andrew Cosslett (aged 49) from Cadbury Schweppes, as Chief Executive. Each hotel group commented on their appointments by stressing their strong relevant commercial ability together with expertise in brand management.

This suggests that marketing has become a critical success factor and the marketing function within hotel groups is in need of transformation. To overcome the dilemma facing managers, a plethora of frameworks have been developed by authors. However, the hospitality literature and practice still lacks evidence on the specific problems managers face when implementing a new performance measurement system. Observations presented in this paper provide some additional insights that can aid those academics who wish to extend this research. A suggested area for further research is the use of strategy maps which were postulated by Kaplan and Norton [2004]. The process of strategy mapping is not easy, but it brings contentious issues like customer value propositions onto the table. By discussing the salient issues, it can force a change in logic, which could lead to a move away from being solely product-centric to the incorporation of a customer-centric approach.

The performance consequences of employing the strategy map approach may vary somewhat by type of hotel unit and hotel group. Therefore, the next step for future research is to develop richer case studies across hotel groups nationally and internationally so that the ambiguities, tensions and organisational contradictions are identified.

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