

Implementation of the Balanced Scorecard in the Hotel Sector through Transformational Leadership and Empowerment

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Abstract

One of the current problems of the entrepreneurial world is the successful implementation of the Balanced Scorecard (BSC), which is why it is interesting to study the variables that can influence its application in business. The main purpose of this paper is to establish a theoretical model through the literature review, that should consider the relationship between the transformational leadership among company staff (Avolio, Bass and Jung, 1999) and the empowerment of the rest of employees (Thomas and Velthouse, 1990 Spritzer, 1995) upon the achievement of an increased capacity for organizational learning in the implementation of the BSC in companies (Easterby-Smith & Araujo, 1999) from the following perspectives: financial, customer, business process, learning and growth in major companies in the hotel sector, specifically in four and five-star hotels.

The Balanced Scorecard (BSC) is a strategic management model (Norton & Kaplan, 1992) that allows the measurement and control of the tangible and intangible objectives based on the company's mission and vision statements. The implementation of BSC has a great influence on the predisposition, training and motivation in middle as well as executive management through empowerment and leadership, hence the importance of the analysis of these variables by means of the BSC.

Keywords

Transformational Leadership, Empowerment, Balanced Scorecard

INTRODUCTION

The Balanced Scorecard (BSC) is a very useful tool for the corporate strategic management as it coordinates the objectives derived from the mission statement with the active participation of employees through performance indicators. Traditionally, companies used to analyze only the financial part as an indicator of business value and made no evaluation of other intangible objectives that defined the orientation of the company. In the early 90s Norton and Kaplan conducted a study on important indicators in the case of approximately a dozen companies to finally reach an agreement on the BSC.

It is important to measure the level of customer care in the hotel sector, as well as that of internal functioning in processes and the business involvement from the point of view of employee collaboration in the achievement the objectives; and this is the reason why the application of the BSC in the hotel sector is particularly relevant.

To successfully implement the BSC, a company should rely on a pool of employees with strong learning abilities and possibilities of personal development in the decision-making of the company, power and control over aspects of their professional development, as well as on mechanisms of communication and transmission of information which can be freely and swiftly consulted, as these three aspects define empowerment. If, in addition, company leaders act with high ethical standards, inspiring teamwork, encouraging innovation and creativity, without losing sight of the needs and individual differences as indicated by transformational leadership, it can be affirmed that the BSC can be implemented in the company and great results can be obtained out of it.

In short, we try to present a theoretical model that in case of empirical validation would serve to establish the initial criteria of company analysis in order to infer the best

implementation of the Balanced Scorecard system. This could be achieved by measuring the organizational learning capacity taking into account the level of leadership and empowerment in the company and thus infer the level of success in the implementation of the BSC.

1. TRANSFORMATIONAL LEADERSHIP

Leadership is defined as the process of directing and influencing work activities carried out by members of a group and is recognized as a key component that influences the overall effectiveness of the company.

The overall concept of this variable is total leadership that Avolio and Bass (2004) include in the models integrated under the "new leadership" paradigm which is the sum of the transformational, transactional and laissez faire variables. Bass' significant contribution is the possibility of measuring transformational leadership, considering that it is the natural evolution of charisma and it could not be measured until that moment.

In summary, Burns (1978) identified two types of leadership based on the leader-follower figure with transactional and transformational interactions. The most traditional transaction creates a leadership that involves an exchange relationship between leaders and followers, whereas transformational leadership is based on leaders changing their follower's values, beliefs and needs, leading to superior performance in organizations in a time of renewal and change.

Focusing on the topic in discussion, Piccolo and Colquitt (2006) found that transformational leadership is positively related to the perceived levels of the top five work characteristics (variety, identity, significance, autonomy and feedback), which were connected to the intrinsic motivation of the objective and commitment. Intrinsic motivation is related to both task performance and organizational citizenship behaviour.

According to James MacGregor Burns, transformational leadership is a process in which the leader and the followers help each other to further raise the level of morale and motivation of a human working group.

Therefore, transformational leadership is defined as a style that helps to change the morale, ideals, interests and values of the followers and subordinates of a company and to rise above their own interests and thus leaders motivate them to better perform Pieterse, Knippenberg, Schippers and Stam (2010). According to Conger (1999) these leaders inspire trust, respect and admiration, promote problem solving and deal with each worker individually. Transformational leadership by Bass (1985) and Bass and Avolio (1994) involves performance above previously set expectations.

The above mentioned transformational dimensions are: a) the idealized influence, resembling charisma, that produces a model to be followed by identification (attribute) and is identified in the way of acting of the leader (behaviour), b) the inspirational motivation which is based on the transmission of the vision of the future, c) the intellectual stimulation with a continuous approach to problems and assumptions and d) the individualized consideration that reflects the leader's individual behaviour towards their followers.

Therefore, Sosik (2002) found that transformational leadership is positively related to empowerment, group cohesion and group effectiveness. Continuing with the independent variables, it has been found that transformational leadership and psychological empowerment (Schein, 1973) support an increase in the productivity, performance and learning capacity of the company, generating a commitment which, at the same time, produces benefits.

Adapting the concept to the tourist sector, it has been mentioned above that according to Dominguez (2009) in order that companies in the sector could gain a competitive advantage, they should perform differently compared to their competition, and so that this happens, there should be an ideal environment in the organization and a management team that know how to coordinate and direct their workers. At this point we introduce the concept of transformational leadership as a key concept in high and middle management in the actions to be performed within the company (Rodriguez and Castillo, 2009).

2. EMPOWERMENT

Another variable to consider is the concept of empowerment that is emerging in recent years as a concept with major implications for both organizational effectiveness and occupational health, since it mentions the sense of control and power that individuals have in a work context.

Although the term organizational empowerment may have been used by some authors before the decade of the nineties, it was not sooner than that time when it gained strength, especially with the works of Thomas and Velthouse (1990) about psychological empowerment, Barley and Kunda (1992) on the theory of satisfaction of people at work or Perez (1989) on the improvement of the quality of working life.

Analyzing each of the above, Rosenberg (1979) and Perez (1989) considered that the existence of empowerment in the company must be linked to a good quality working life, and mentioned some of the factors that influence it such as the increase of the loyalty and motivation of workers in the tasks they perform. Barley and Kunda (1992) have conducted several studies which directly connect people's satisfaction with the tasks they perform at work, economic performance and customer satisfaction.

In this sense, Spreitzer (1995) changed the existing paradigm of empowerment and proposed two perspectives: the relational / personal perspective and the psychological one. The individual perspective considers concepts dealing with the person, with self-sufficiency, power and the competition perceived by the individual. On the other hand, the psychological perspective takes into account intrapersonal aspects, however, the components of interaction with other people in the company and the exhibited behaviour are also considered as important (Zimmerman, 1995).

Other authors have also dealt with dimensions of psychological empowerment over the years, such as Thomas and Velthouse, (1990), describing empowerment as the increased intrinsic motivation during the performance of one's function based on four concepts: a) significance of task, defined as the moment when an individual perceives a connection between their work and their own personal standards; b) competence, which it is the belief that he / she has in their abilities to develop their activity; c) impact, which is the amount of influence that a person feels he / she gets from certain work results; and, finally, d) self-determination, defined as an individual's perception of choice related to the tasks he / she commits to. Subsequently, other authors have made changes to these dimensions, as Menon and Borg (1995) who modified three of them: perceived control, perceived competence and goal internalization. This regrouping is done after researching different studies where it can be observed that most of the items saturate the dimension of "impact" which, subsequently, defines this new scale of three and where perceived control is the sum of impact plus choice.

More current authors like Matthews, Diaz and Cole (2003) have considered the concept on 3 levels: dynamical structure, control of decisions and information flow, or like Chritens (2012) who takes into consideration four essential aspects: emotional or intrapersonal, cognitive, behavioural and interpersonal.

Analyzing the concept of empowerment in the hotel sector, authors like Sasser and Arbeit (1976) started talking about the concept of empowerment as an ideal environment for the creation of corporate culture adapted to the needs of the people who form it. In this regard, several studies conducted by Ulmer (1987) identified that for several years salary had no longer been the only main variable to motivate workers in hotel chains nationwide.

Therefore, worker satisfaction is considered an essential feature in the tourist sector in order to ensure quality service to customers, considering that workers have a direct contact with them and that customer service is a fundamental feature of company evaluation in the service sector. This should be achieved through the business philosophy of the company and carried out by its management so that there is a global integration of departments (Foster and Cadogan, 2000; Dominguez, 2009).

Currently, the hotel industry has great importance in the Spanish GDP and there is a strong competition in the market, which is why hotels should obtain a competitive advantage over their competition, and one of Lescano's (2011) ideas is precisely the organizational empowerment meant to create added value to customers with the offered service.

Empowerment has been considered as a predominant variable in companies that wish to have a capacity of organizational learning superior to that of other companies, since, according to studies of Chiva, Alegre and Lapiedra, (2007), employee involvement and motivation are a prerequisite to learn inside the company.

3. ORGANISATIONAL LEARNING CAPABILITY (OLC)

Once the previous two variables have been analyzed, organizational learning is perceived to be a process through which organizations learn (Chiva and Alegre, 2008). The learning capacity of an organization is certainly a competitive advantage that lead to greater and better organizational performance, which is a peculiarity of each company.

In the process of analyzing learning abilities, it is interesting to observe the development of the one-loop, double-loop and deutero learning (Argyris and Schon, 1996), where the concept of one-loop action-result represents the company where workers work under the transactional leadership in which success is rewarded and errors are penalized, their direct causes being analyzed, while the double-loop learning allows questioning why certain actions are done, going back as far as its causes, which is more in line with the transformational leadership and reaches the highest level of teaching deutero-learning where the company learn how to learn.

There are studies that describe three levels of learning: an individual, group and organizational one, with a cycle of the knowledge determined through the three levels, and that establish four dimensions of learning: intuition, interpretation, integration and institutionalization (Crossan, Lane and White, 1999). Other authors maintain the three levels of learning, but establish three dimensions to it within the organization: acquisition, transfer and integration (Jerez, and Lapiedra Alegre, 2007).

Respectively, there is no general consensus about the aspects that influence the learning capacity within organizations, the altruistic leadership style having a positive influence (Atwood, Mora and Kaplan, 2010) on it. Transformational leadership styles promote individual and group learning, because they promote risk-taking, fallibility and dialogue as a way to obtain learning (Berson, 2006).

Also, the OLC construct is based on the context of learning and has five dimensions: experimentation, risk investment, interaction with the business environment, communication and participatory decision-making (Chiva, and Lapiedra Alegre, 2007).

On the other hand, a factor not proposed in this study but favourably associated to the learning capacity in business is innovation. A recent study of the critical factors of brand innovation identifies it as an intermediary positive factor in the learning capacity of an organization (Nguyen, Yu Xiaoyu et al. 2016).

The hotel industry, specifically high-end hotels, should devote great efforts within their organizations to the learning of their customers' needs, which is why the investment in TCT facilitates workers to interact with customers more efficiently. (Law and Jogaratnam, 2005)

In this sense, we reinforce the benefits of having a good capacity for learning at an organizational level in order to better coordinate goals and to measure the results of our corporate mission statement through the implementation of the BSC. The Balanced Scorecard also allows us to unify operational criteria in the case of hotel chains where the systems established in the BSC have to be replicated.

4. BALANCED SCORECARD

The Balanced Scorecard is a strategic management system developed by Robert S. Kaplan and David P. Norton (1992) which is based on the mission and vision of the company. It suggests establishing an alignment of employees' goals with those of the company, based on the development of four perspectives: the learning and growth perspective and the business process perspective as internal variables, and the customer and financial perspectives as external variables.

For its successful implementation in the company, we start from the correct sequential application of the perspectives ranging from internal to external ones.

Figure 1. Sequential development of the BSC perspectives



Source: Own elaboration

The BSC implementation requires developing objectives for each of the prospects in such a way that the strategy of the company is made measurable through monitoring indicators that measure these objectives.

The objectives of the Learning and Growth Perspective (LGP) lie at the basis of the other three perspectives so that they function as inducers of the results of these perspectives. According to Norton and Kaplan the categories of variables that belong to

this approach are: employees' capabilities, the capacity of the information systems and empowerment as delegation of power. Performance indicators in LGP seek to strengthen individual as well as teamwork performance by setting different goals in each case.

Most companies decide to start the implementation of the BSC through their employees' knowledge and acceptance of the benefits that entails the whole company working in the same direction, meaning that every member, regardless of their rank, should be aware of the mission and vision statements and the objectives and perspectives set to achieve the expected goals (Norreklit and Schoenfel, 1998).

The main idea is to consider the BSC as a management system that connects the strategy of the organization with the specific tasks of individuals and teams, namely with measurable Key Performance Indicators (KPI) (Voelpel et al. 2006). The way to understand the whole BSC is based on the strategic map in which all perspectives are related in a cause-effect chain with their objectives and indicators.

In the hotel sector the BSC is an important tool for the coordination of different stakeholders that the strategic function of the company aims at, thus giving meaning and continuity to intangible factors.

5. THEORETICAL APPROACH

Transformational leadership facilitates organizational learning, Senge (1990) and promotes the creation of organizational knowledge (Nonaka and Takeuchi 1995). A positive evolution between transformational leadership and learning capacity was obtained as a result of a survey of 408 Spanish companies in the three sectors, where Podsakoff's scale of leadership measurement was used, Podsakoff et al (1996), verifying the goodness of transformational leadership in the generation of creativity in organizations, a basic factor in order to achieve high learning capacity. Garcia, Romerosa and Llorens (2005).

Based on the development of these studies we can establish a first hypothesis that links transformational leadership and learning in organizations.

Hypothesis 1: Hotel organizations with a greater degree of development of transformational leadership show an increased learning capacity.

The notion of learning capacity is linked to empowerment as a dimension of the measurement scale, Goh and Richards (1997), Goh (2003).

In the study by Mishra and Bhaskar (2010), about the question “Empowerment: a necessary attribute of learning organization?” the authors conclude that there is a very weak relationship between these two variables in the business environment in India. However, in the study by Khalil et al (2011) it was found that there is a positive relationship between the role of self-efficacy and self-determination of psychological empowerment and organizational learning. A positive relationship is established among three of four dimensions of psychological empowerment, namely meaning, competence and impact related to innovation capability, Ertürk (2011).

In short, it seems significant that studies should find a positive relationship between psychological empowerment and learning organization and thus we set the following hypothesis:

Hypothesis 2: In hotel organizations with a high degree of empowerment the learning capacity is improved.

The third hypothesis we propose on a theoretical level in this study consists of verifying the positive effect organizational learning capacity has on organizations that decide to implement the BSC.

The two perspectives about the way organizations learn, developed only empirically so far, are those that include companies that learn and those that manage knowledge, Fernandez Millan and Salgueiro (2006).

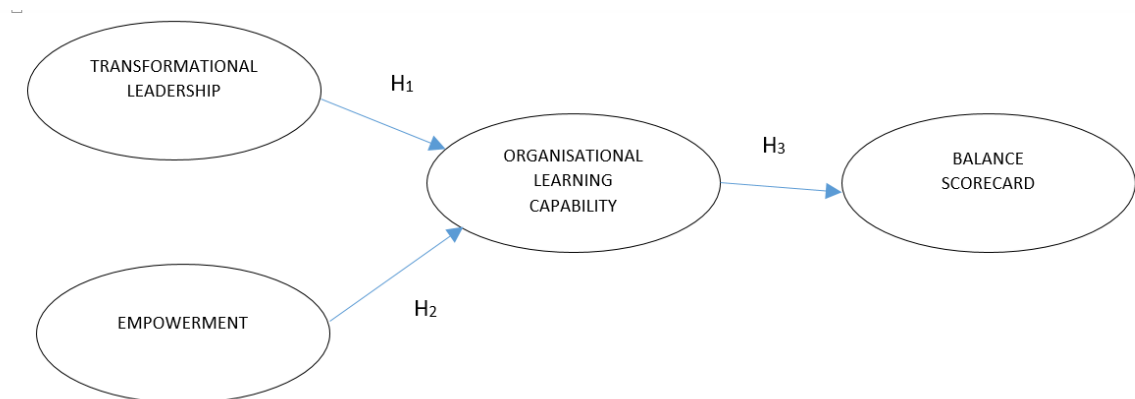
The implementation of BSC in companies requires the organization of some of the following characteristics: understanding of the objectives, acceptance of change, proactivity in its implementation, and maximum performance of both individual and, especially, group skills. The main characteristics that define the learning capacity of an organization (Céspedes, Jerez and Valle, 2005), are:

- a) Commitment to learning
- b) System perspective
- c) Openness and experimentation
- d) Transfer of knowledge

Based on the concurrence of common features needed for the development of organizational learning capacity and the implementation of the Balanced Scorecard we establish the following hypothesis:

Hypothesis 3: Hotel organizations with a greater orientation towards learning show a higher degree of efficiency in the adaptation of the Balanced Scorecard.

Figure 2. Proposed Theoretical Model.



Source: Own elaboration

6. CONCLUSIONS

Once the proposed fieldwork is done, we should develop – if the results of the relations raised in the hypotheses are confirmed – a predictive methodology to assess the efficiency and effectiveness of the implementation of the Balanced Scorecard based on learning capacity, which at the same time will be conditioned by empowerment and transformational leadership.



We could establish some items that assess the previously mentioned constructs, which would allow to predict the success of the implementation of the Balanced Scorecard.

The implementation of the BSC would also serve to control the initial constructs before the implantation is carried out, irrespective of the sector we address, but especially in the hotel sector, where personal relationships with customers have an exceptional impact on the final result. After that, the obtained feedback on learning capacity with an improved BSC could be studied.

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