Cultural Values, the Balanced Scorecard and Perceived Organisational Performance

Bruce Gurd (University of South Australia); John Rice (The University of New England); Peter Hyde

Abstract: Western hotel chains sometimes use the same management systems worldwide, expecting support from their Asian staff. We explore the results of the implementation of the balanced scorecard (BSC) in a Thai hotel being managed by a U.S. chain. Our survey was distributed to every manager and supervisor of the hotel. Despite the emphasis placed on the BSC by the hotel chain, this study found that there was a lower level of commitment to the performance measurement system in this hotel than it had in previous research sites, and that the level of support depended on the cultural values of the employees. There are questions as to whether or not Western tourism and hospitality operators should be more aware of the potential lack of engagement with their systems by Asian managers.

Keywords: balanced scorecard, cultural values, Thai hotel
1. **Introduction**

There is a significant debate about multi-national enterprises (MNEs) using the same systems in all their subsidiaries across the world, particularly in human resource management. Despite a significant body of research on cross-cultural issues in tourism and hospitality (Hope, 2004; Chen et al., 2012; Tsang, 2011), there is limited evidence for the effectiveness of hotel chains using the same world-wide systems irrespective of the country of operations. Generally the operations management of the international chains work relatively well, there is some resistance to imposed systems (Hope, 2004). While Qu, Cooper and Ezzamel (2011) argue that adaptation and customization are part of the attraction of the BSC, there are global chains using the same BSC system world-wide irrespective of cultural values in the country they are operating in. The paper investigates the reaction to the implementation of the BSC by a US hotel chain into a Thai hotel and the interaction between the values of the managers and supervisors, the perceived effectiveness of this system and the perceptions of performance of the hotel.

The BSC is a well-known strategic performance measurement system in tourism and hospitality (Brander-Brown and McDonnell, 1995; Atkinson and Brander-Brown, 2001; Harris and Mongiello, 2001; Evans, 2005; McPhail *et al.*, 2008; Sainaghi *et al.*, 2013). BSC implementation can be a lengthy and complex process, requiring commitment of time and resources (Doran *et al.*, 2002).

The concept of cultural distance, explored in tourism research by Ng, Lee and Soutar (2007), is useful to explore whether the distance has an impact on the effectiveness of the implementation of the BSC in its Asian subsidiaries. The BSC, designed by the US parent, encapsulates a view of strategy execution based on the ideas of Kaplan from Harvard Business School and his practice partner, Andrew Norton. There is a paucity of literature regarding what happens when international hotel and tourism operators try
to ‘impose their systems on their global operations, and the resultant clashes that occur between systems that are suitable in the country of origin and the potentially clashing cultural values of the countries in which they operate (e.g., Hope, 2004; Lervik et al, 2005). We contrast the values of Thai managers with those of the US managers who devised the BSC system.

2. Prior Literature and Theory

2.1 Prior Research into the Use of the Balanced Scorecard in Hospitality

Sainaghi et al (2013) provide a thorough analysis of two decades of research into the BSC in hotels. While the hotel industry has its own measures of performance (e.g. ARR, REVPAR and GOPPAR), the BSC has provided a structure for a more integrated view of performance and shift from an emphasis on short-term measures to longer term measures.

Two studies in particular (Huckestein and Duboff, 1999; Denton and White, 2000) have reported on the BSC implementation experiences of US chains - Hilton Hotels and a Marriott franchisee, White Lodging Services. In both cases, the BSC was found to be a generally useful tool, in that it brings together, in a coherent model, previously disparate measures of performance (Huckestein and Duboff, 1999). In the Hilton study, the authors pointed to the BSC's success in reinforcing a coherent business culture in highly diversified business, as well as in encouraging managers to focus on both short-term and long-term measures, rewarding teamwork and allowing best practices and strategic information to be shared (Huckestein and Duboff, 1999). These benefits were also found by Denton and White (2000) at White Lodging Services.

2.2 Effectiveness of Strategic Performance Measurement Systems

While organizations can implement a strategic performance measurement system, such as the BSC, there are different patterns of effectiveness. Henri (2006) identified four
dimensions of the effectiveness of a performance measurement system – monitoring, attention-focusing, strategic decision-making and legitimization. The first dimension, monitoring, focuses on the role of performance measurement as a diagnostic control system (Simons, 2013) or feedback system for tracking progress and comparing outcomes to expectations. Henri’s (2006) second dimension is attention-focusing, the role of performance measurement in creating alignment in the organization and providing focus on important issues, including the focus on organizational uncertainties that Simon’s (2013) called interactive controls. Strategic decision-making is the third dimension: will a performance measurement system be used to make important non-routine decisions by helping to explain the underlying cause–effect relationships? The last of Henri’s dimensions is about the legitimizing role of performance measurement systems, including justifying decisions, reinforcing beliefs and validating a point of view.

2.3 Understanding Schwartz’ cultural values

Schwartz (1994, 1999) developed an instrument of values that can be used for both individual values and national cultural values, based on a priori theorizing, rather than Hofstede’s (2001) approach based on post hoc examination of the data (see Schwartz, 2006). Schwartz (2006) summarized his seven country-level value types as constituting three bipolar dimensions: *embeddedness versus autonomy*, *hierarchy versus egalitarianism*, and *mastery versus harmony*. The embeddedness–autonomy dimension captures the relationship between the individual and the group. Embeddedness, at one end of the pole, represents a cultural emphasis on the person as part of the group, committed to maintaining the status quo, and restraining inclinations that might disrupt the solidarity of the group or the traditional order. At the other end of the pole there are two types of autonomy: intellectual autonomy, the individual independently pursuing
his or her own ideas and intellectual directions; and affective autonomy, the individual pursuing positive personal experiences (e.g. pleasure, exciting life, varied life).

The hierarchy–egalitarianism dimension concerns ways to ensure a sense of responsible behaviour that preserves the social fabric. Hierarchy represents a cultural emphasis on obeying role obligations within a legitimately unequal distribution of power, roles, and resources. Egalitarianism, at the other extreme, represents an emphasis on the transcendence of selfish interests in favour of voluntary commitment to promoting the welfare of others, who are seen as moral equals.

The final dimension, mastery–harmony, is about the natural and social connection of people to their world. Mastery refers to getting ahead by asserting one's self with the aim of mastering and changing the environment; harmony is about accepting the world as it is, understanding and accepting it rather than trying to change or exploit it.

These cultural values flow into the work environment (Schwartz, 2004). The question for multinational tourism and hospitality operators is whether or not they need to adjust their systems and procedures to adapt for different values in different countries. It is this central question that this research paper addresses.

2.4 Perceived Organisational Performance

The Govindaranjan and Gupta (1995) measure is a comparative measure of the perceived performance of a Strategic Business Unit, in this case the hotel, against its competitors. The items include aspects of performance which may be found in a BSC - financial (return on investment, profit, cash flow from operations and cost control), customer (sales volume, market shares, new products, market development) and learning and growth (personnel development and political public affairs).

2.5 Hypotheses Development
The first hypothesis builds on the polar opposites of harmony and mastery. In previous Schwartz samples it was found that the harmony of the staff from the host country, Thailand, was higher than the harmony values of the home country (U.S.) managers. This is likely to reduce the effectiveness of performance measurement. For example, using a BSC for monitoring or attention-directing is likely to be seen as intrusive by the Thai managers and therefore inconsistent with harmony. The prototypical manager with strong mastery values would tend to exhibit self-assertion in the furtherance of their own, and their perceived shared, interests. We anticipate that managers who perceive measures of organisational performance as both rational and objective will tend to have an enhanced opinion of organisational performance when they exhibit strong mastery values in contrast to when managers embrace values more associated with harmony. Hence:

\[ H_1: \text{For employees with higher levels of mastery (and concomitantly lower harmony values), the interaction effects of harmony and BSC support on perceived performance will increase.} \]

A second bipolar dimension is autonomy–embeddedness. Banker, Chang and Pizzini (2004) note the importance of the BSC in articulating the interconnected nature of activities and measured organisational performance. Their findings note that employees tend to place greater weight on managerial performance measures when they are linked to the wider organisational strategy. Such an approach sees employee actions as embedded within organisational systems and outcomes. We anticipate that employees who see themselves as innately integrated into a complex organisational setting will tend to see tools like the BSC as useful metrics to measure and improve performance. We therefore hypothesize that:
H2: For employees with higher levels of embeddedness (and concomitantly lower autonomy values), the interaction effects of embeddedness and BSC support on perceived performance will increase.

The third bi-polar scale is hierarchy–egalitarianism. Recent critical research has tended to see the BSC as an elaborate tool to increase organisational control (Seal and Ye, 2014). Seen within the context of other activities that seek to increase organisational oversight of individual employees’ action, the BSC may be seen as a tool to extend control at the detriment of employee freedom. We expect that managers in a society with lower egalitarianism are more likely to accept managerial systems and policies, as they submit more willingly to hierarchy. As Dickson et al. (2003) noted, employees in less egalitarian societies are more likely to comply with directives without questioning them and do not expect to have their say in decisions affecting them or to participate in the process of setting goals. Schwartz (1999, p.43) noted that employees who are more autonomous are more likely to oppose “the use of power and prestige to reward workers”: a performance measurement system cuts across their more individual values. Hence:

H3: For employees with higher levels of egalitarianism (and concomitantly lower levels of hierarchy), the interaction effects of egalitarianism and BSC effectiveness on perceived performance will decrease.

3. Method

The hypotheses were tested in a single hotel in regional Thailand, which is part of a U.S. chain. The chosen chain has had a well-developed BSC in place for many years, having pushed this system out to its Asian hotels in the 1990s. One hundred surveys were distributed among the most senior 100 supervisors and middle managers, with 79 returned (79%).
The survey instrument was a combination of three previously used and well-tested instruments: Henri's (2006) instrument for the effectiveness of performance measurement systems, Schwartz' (1999) measure of cultural values, and the self-rated measure of performance (Govindarajan, 1984; Govindarajan and Gupta, 1985). To enable clearer analysis, the four performance dimensions were merged into a single measure of BSC effectiveness for the purpose of hypothesis testing. The instrument was translated into Thai, back translated and checked for equivalence of meaning. Demographics were collected for race, country of birth and management levels. The survey contained 93 questions, which was expected to reduce the response rate; however, with strong management support, it did not. A seven-point Likert scale was used for the Henri (2006) and Govindarajan and Gupta measures. The Schwartz measure was analysed according to the method provided by the developer, based on combinations of items. The regression analyses were performed following Preacher et al.’s (2007) and Hayes and Mathes (2009) analytical techniques using the Hayes macro within SPSS, utilising the Johnson-Neyman functionality that probes the interaction effect strength at various values of a moderator.

4. Results

4.1 Descriptive Statistics

The results for the three bipolar Schwartz values are shown in Table 1. Independent sample t-tests show that this study's sample in the Thai hotel was significantly higher on all three dimensions than the previous Thai sample used by Schwartz (1994).

<<Table 1 about here>>

The descriptive statistics for the four performance measurement constructs are shown in Table 2. <<Table 2 about here>>
Henri’s sampling frame for studying performance measurement was across Canadian manufacturing organizations, whereas our sampling frame was within a single Thai hotel, with possible differences arising because of sector, national culture, and single entity rather than many. Independent sample t-tests show that our result is lower for all four constructs than Henri’s sample.

The variables used in our regressions were derived as follows. The Embededness - Autonomy, Hierarchy - Egalitarianism and Harmony - Mastery variables were based on factors scores derived using SPSS for each of the six sub-elements. These scores had a mean or zero and an SD of one. As the derived integrated scores are conceptualised as continuums, we subtracted the Embededness score from the Autonomy score to form a continuous Embededness - Autonomy score (and so forth for the remaining variables).

Our dependent variable, drawn from Govindaranjan and Gupta (1985), seeks respondents rating of the organisation’s performance along a number of dimensions. As all respondents were, in effect, employed within the same organisation, a degree of clustering of responses, or a skewed distribution, was possible. In fact, a relatively normal distribution of responses to this question emerged with little skewness or kurtosis evident (both measures of skewness and kurtosis fell within the threshold values suggested by Small (1980). This suggests that individuals’ views of organisational performance varied greatly across the sample and this was thus a useful item to explore as our dependent variable.

Descriptive statistics are shown in Table 3 and the final results of our modelling are shown in Table 4. We note that in our fully specified model the interaction of hierarchy–egalitarianism and BSC adoption is highly significant in explaining variance in perceived organisational performance. 

4.2 Testing the Hypotheses
The first hypothesis states that for employees with higher levels of harmony (and concomitantly lower levels of mastery), the interaction effects of harmony and BSC support on perceived performance will decrease. <<Figure 1 about here>>

Figure 1 illustrates this hypothesised effect. In essence, the interaction coefficient declines as responders move from high mastery to high harmony preference, albeit only slightly. This is consistent with our hypothesised effect of BSC implementation as somewhat obtrusive within the Thai context for those employees who value a harmonious work environment.

In our fully specified model, however, the interaction illustrated in Figure 1 is not shown to be significant, and indeed the interaction probe provided above shows that there is no zone of significance for this interaction effect evident at any level of the harmony-mastery measure. This suggests that other cultural values provide stronger explanatory value in determining managerial views on performance.

The second hypothesis suggests that for employees with higher levels of embeddedness (and concomitantly lower autonomy values), the interaction effects of embeddedness and BSC support on perceived performance will increase. In essence, as employees feel more embedded in their work context, they see BSC implementation as potentially more valuable and hence in combination, higher embeddedness and BSC support combine to improve their perception of organisational performance.

Hypothesis 2 is not supported in our fully specified model ($p = 0.118$), although it does approach significance – and is found to be significant ($p < 0.05$) in those parts of the embeddedness – autonomy spectrum shown below. We thus find that employees who report high organisational-contextual embeddedness see the introduction of the BSC as predictive of improved organisational performance. <<Figure 2 about here>>
The third hypothesis suggests that for employees with higher levels of egalitarianism, the interaction effects of egalitarianism and BSC effectiveness on perceived performance will decrease. In fact, our findings contradict this hypothesised effect. This effect suggests that for employees with a strong preference for egalitarianism and fairness, BSC introduction tends to positively influence their perceptions of organisational performance. An explanation of this effect would be that in a socially influenced organisational hierarchy BSC implementation enables a more meritocratic workplace where employees are judged on their performance rather than their position.

<<Figure 3 about here>>

More intuitively, the interaction effect of BSC Support and Hierarchy - egalitarianism is shown in the following figure: <<Figure 4 about here>>

In Figure 4, which integrates both the direct and interaction effects of BSC Support and Hierarchy - Egalitarianism in explaining perceived organisational performance, we see that at all levels of BSC Support, employees with a greater preference for egalitarianism tend to see performance as better than those with a preference for hierarchy, with this variance increasing at either end of the Hierarchy - Egalitarianism continuum.

5. Discussion

Our fully specified model suggests that in the absence of managerial preference for egalitarianism, efforts in monitoring service, customer satisfaction and efficiency do not increase managerial perceptions of performance values. It is reasonable to expect that the introduction of an integrated system on decision-making might result in heightened managerial performance in a hotel chain, through, but this was not the case.

There is evidence in our paper that there is significant variance among Thai managers in their preference for organisational outcomes, and these preferences relate to collective versus individual outcomes. A preference for individual outcomes – especially in
relation to egalitarianism and fairness as opposed to hierarchy – tends to predispose managers to BSC adoption, which can be seen as a meritocratic assessment tool to better assess the relative contributions of individuals and groups within a hotel setting.

It must be noted for future research that our sample of rural Thai hotel supervisors and managers is very different from previous Schwartz samples using Bangkok teachers. This may be because of higher Westernization in Bangkok than in a rural area and differences between hotel managers and teachers. As Ralston et al. (2006) and Taras and Steel (2009 have noted, cultural values may be changing over time.

As for the three bipolar dimensions, we anticipated that higher levels of harmony amongst the Thais would produce greater use of attention-directing and legitimization in determining perceived performance. The harmony value encourages the use of the performance measurement systems for attention-focusing, as supervisors were willing to cooperate to achieve the goals and identify areas in which they could improve. Harmony is consistent with key values like flexibility, rather than control. Responsiveness, change, cohesion and adaptability are more related to this use than order, conformity and predictability. The organizational learning associated with an attention-focusing use contributes to the emergence of new strategies within the hotel.

In this sample, Thai supervisors and managers have a high score for embeddedness. Thais are very focused on relationships. Rather than rock the boat, rules, guidelines and procedures would generally be accepted. Thai managers are still very tied to the thinking of their next-in-line, which is the only the legitimization aspect that mediates performance. The strength of the group is sufficient to ensure that they accept the legitimizing impacts of the performance measurement system.

Our results in relation to egalitarianism–hierarchy were especially interesting. We anticipated that higher hierarchy preference would create a situation whereby
managerial employees would see BSC adoption positively (as a means of legitimating and operationalising appropriate managerial prerogative), but the opposite was in fact evident. A preference for hierarchy actually reduced the degree to which BSC adoption anticipated perceived performance within our fully specified model.

6. Conclusion and Limitations

Performance measurement tools have been used very successfully around the world now for many years and benchmark most of the world’s leading hotel brands. Chief executives have observed both the operational excellence and financial benefits that can come about with positive rollout of the tools. Standardized systems set down by head office must be carefully used in a different culture and in a different country.

In the case of the Thai hotel, a workable BSC had been implemented. Yet the effectiveness of the system was not high; certainly less effective than in other Western environments. A successful performance measurement system in a hotel requires the buy-in and understanding of each person with supervisory capacity. Understanding the local context is important. Western tourism and hotel operators may be insistent on using one world-wide system, but the case for adaptation seems strong. The Thai smile might indicate agreement, but underneath there may be no real intention to change patterns of behaviour. In such an environment informal means of control using the natural capabilities of the local people may be far more powerful. Hotel managers moving around Asia are likely to be very conscious of this. Their head office management might still imagine that it is their systems and processes that make the difference, but we trust that they are conscious of the role of their local management in high levels of customer experience, service delivery with good cost control.
References


Table 1 Results compared with previous Schwartz samples (1994)

<table>
<thead>
<tr>
<th></th>
<th>Thailand (Schwartz, 1994)</th>
<th>Thai (current sample)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egalitarianism</td>
<td>4.34</td>
<td>4.82</td>
</tr>
<tr>
<td>Embeddedness</td>
<td>4.22</td>
<td>4.90</td>
</tr>
<tr>
<td>Harmony</td>
<td>3.93</td>
<td>4.97</td>
</tr>
</tbody>
</table>

Table 2 Descriptive statistics – comparison of Thai sample with Henri’s samples (2006)

<table>
<thead>
<tr>
<th>Henri constructs</th>
<th>Sample mean</th>
<th>Sample SD</th>
<th>Henri Mean</th>
<th>Henri SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitor</td>
<td>4.36</td>
<td>1.08</td>
<td>5.63</td>
<td>0.98</td>
</tr>
<tr>
<td>Attention</td>
<td>4.32</td>
<td>1.01</td>
<td>5.07</td>
<td>1.05</td>
</tr>
<tr>
<td>Decisions</td>
<td>4.33</td>
<td>1.03</td>
<td>4.79</td>
<td>0.99</td>
</tr>
<tr>
<td>Legitimation</td>
<td>4.54</td>
<td>1.23</td>
<td>4.79</td>
<td>0.96</td>
</tr>
</tbody>
</table>

Table 3 Derived Variable Descriptive Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>n</th>
<th>Mean</th>
<th>s.d.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Performance</td>
<td>75</td>
<td>4.26</td>
<td>1.36</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. BSC Support</td>
<td>75</td>
<td>5.00</td>
<td>1.0</td>
<td>.642**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Embeddedness - Autonomy</td>
<td>75</td>
<td>.2825</td>
<td>.632</td>
<td>.003</td>
<td>.046</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Hierarchy - Egalitarianism</td>
<td>73</td>
<td>.1554</td>
<td>.756</td>
<td>.126</td>
<td>-.078</td>
<td>-.073</td>
<td></td>
</tr>
<tr>
<td>5. Harmony - Mastery</td>
<td>73</td>
<td>.3772</td>
<td>.708</td>
<td>-.028</td>
<td>-.089</td>
<td>.126</td>
<td>.447**</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed)
Table 4

Direct and Interaction Effect Model

<table>
<thead>
<tr>
<th></th>
<th>β</th>
<th>SE</th>
<th>β</th>
<th>SE</th>
<th>β</th>
<th>SE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>3.439*</td>
<td>1.876</td>
<td>-1.35</td>
<td>1.572</td>
<td>2.741</td>
<td>8.182</td>
</tr>
<tr>
<td><strong>Direct Effects</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Embeddedness–Autonomy</td>
<td>0.063</td>
<td>0.256</td>
<td>-0.009</td>
<td>0.195</td>
<td>1.501</td>
<td>1.04</td>
</tr>
<tr>
<td>Hierarchy–Egalitarianism</td>
<td>0.314</td>
<td>0.237</td>
<td>0.360**</td>
<td>0.18</td>
<td>-1.322</td>
<td>0.896</td>
</tr>
<tr>
<td>Harmony–Mastery</td>
<td>-0.210</td>
<td>0.255</td>
<td>-0.114</td>
<td>0.194</td>
<td>-0.141</td>
<td>1.07</td>
</tr>
<tr>
<td>BSC Support</td>
<td>0.884***</td>
<td>0.123</td>
<td>0.571</td>
<td>1.556</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Interaction Effects</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harmony–Mastery by BSC</td>
<td></td>
<td></td>
<td>0.028</td>
<td>0.203</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hierarchy–Egalitarianism by BSC</td>
<td></td>
<td></td>
<td>0.358**</td>
<td>0.178</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Embeddedness–Autonomy by BSC</td>
<td></td>
<td></td>
<td>-0.325</td>
<td>0.205</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F and (Sig. F Change)</td>
<td>.604</td>
<td>.604</td>
<td>13.704</td>
<td>&lt;.0001</td>
<td>10.211</td>
<td>.0200</td>
</tr>
<tr>
<td>R2</td>
<td>.026</td>
<td>1.365</td>
<td>.446</td>
<td>1.036</td>
<td>.524</td>
<td>.983</td>
</tr>
<tr>
<td>Change in Adj. R2</td>
<td></td>
<td></td>
<td>.421</td>
<td></td>
<td>.027</td>
<td></td>
</tr>
</tbody>
</table>

**Figure 1** Interaction effects of BSC support and harmony–mastery values in predicting perceived performance at values of the harmony–mastery continuum.
**Figure 2** Interaction effects of BSC support and embeddedness–autonomy values in predicting perceived performance at values of the embeddedness–autonomy continuum.

**Figure 3** Interaction effects of BSC support and hierarchy–egalitarianism values in predicting perceived performance at values of the hierarchy/egalitarianism continuum.
Figure 4 Interaction effects of BSC support and hierarchy–egalitarianism values in predicting perceived performance at High Hierarchy (Low Egalitarianism) and High Egalitarianism (Low Harmony) Values