

MODUL UNIVERSITY VIENNA

**Barriers to the Successful Implementation of
the Balanced Scorecard - the Case of Plava
Laguna J.S.C.**

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Master of Business Administration
Tourism Management

Submitted to Dr. Ulrike Bauernfeind

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Vienna, January 2010

Affidavit

I, Dragan Pujas, hereby ensure that:

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Abstract

The Balanced Scorecard (BSC) tries to translate a company's strategic direction and objectives into actionable initiatives and measurements. Using only financial measurement is not enough to drive an organization. A balanced view includes at least four perspectives: financial, customers, internal business processes, and learning and growth linked as part of a chain driving to the organizational outcomes. The measures incorporated in the Balanced Scorecard also provide a balance between the outcome measures and the performance drivers, as well as a balance between internal and external measures.

Despite its worldwide popularity and its recognition as a powerful management tool, the BSC is not always used successfully. Although many organizations have adopted the BSC, a great number of them have encountered problems when trying to introduce the concept in their business.

The purpose of this thesis is to increase understanding of the threats which may cause BSC initiatives to fail. First, a literature review of the BSC and its perspectives was completed. Second, the implementation barriers found in previous studies were identified. Furthermore, case-study research was employed using the hotel company Plava Laguna J.S.C. as a case-study organization. In 2002, an unsuccessful attempt to introduce the Balanced Scorecard took place there. Employing qualitative research, the reasons for the Balanced Scorecard initiative not to succeed in Plava Laguna are presented. Finally, the thesis concludes by proposing recommendations for a future Balanced Scorecard initiative in Plava Laguna in order to overcome the potential barriers to its implementation and to ensure its beneficial use.

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CONTENTS

CHAPTER 1: INTRODUCTION	1
1.1. Background and motivation for the study.....	1
1.2. Problem statement.....	2
1.3. Research purpose.....	3
1.4. Structure of the thesis.....	4
CHAPTER 2: THE BALANCED SCORECARD CONCEPT	5
2.1. The origins of the Balanced Scorecard.....	5
2.2. The evolution of the Balanced Scorecard.....	7
2.3. The Balanced Scorecard perspectives	8
2.3.1. Customer Perspective.....	9
2.3.2. Internal Process Perspective.....	10
2.3.3. Learning and Growth Perspective.....	10
2.3.4. Financial Perspective.....	11
2.4. What is “balance”?.....	11
CHAPTER 3: BARRIERS TO THE IMPLEMENTATION OF THE BALANCED SCORECARD	15
3.1. Barrier 1: Limited understanding of the Balanced Scorecard.....	15
3.2. Barrier 2: Lack of executive sponsorship.....	17
3.3. Barrier 3: Lack of Balanced Scorecard education and training.....	18
3.4. Barrier 4: The strategy is not formulated in a strategy map.....	19
3.5. Barrier 5: Inadequate IT support.....	20
3.6. Barrier 6: An inadequate project team.....	21
3.7. Barrier 7: Not involving the whole organization.....	24
3.8. Barrier 8: Inadequate KPIs.....	25
3.9. Barrier 9: Lack of planning and communication.....	27
CHAPTER 4: RESEARCH METHODOLOGY	30
4.1. Research design.....	30
4.2. Research methods.....	31
4.2.1. Case study.....	32
4.2.2. Focus group interviews.....	33

4.2.3. Action research	35
4.3. Development of interview questions	37
4.4. Validity.....	40
4.5. Reliability.....	41
CHAPTER 5: THE PLAVA LAGUNA J.S.C. – THE CASE STUDY	
ORGANIZATION	43
5.1. Tourism in Croatia	43
5.1.1. The Croatian economy	43
5.1.2. Croatian Tourism Facts	44
5.2. Plava Laguna J.S.C.....	45
5.2.1. The History of Plava Laguna	45
5.2.2. Operations.....	46
5.2.3. Plava Laguna’s guests	47
5.2.4. Organizational structure and employment	48
5.2.5. Recent achievements.....	49
CHAPTER 6: CASE STUDY RESULTS.....	51
6.1. Role of Barrier 1: Limited understanding of what the Balanced Scorecard is	51
6.2. Role of Barrier 2: Lack of executive sponsorship	53
6.3. Role of Barrier 3: Lack of Balanced Scorecard education and training.....	55
6.4. Role of Barrier 4: The strategy is not formulated in a strategy map.....	56
6.5. Role of Barrier 5: Inadequate IT support.....	57
6.6. Role of Barrier 6: Inadequate project team	59
6.7. Role of Barrier 7: Not involving the whole organization.....	61
6.8. Role of Barrier 8: Inadequate Key Performance Indicators (KPIs)	62
6.9. Role of Barrier 9: Lack of planning and communication	63
CHAPTER 7: DISCUSSION AND RECOMMENDATIONS.....	64
7.1. Analysis of Barrier 1: Limited understanding what the BSC is.....	64
7.2. Analysis of Barrier 2: Lack of executive sponsorship	65
7.3. Analysis of Barrier 3: Lack of Balanced Scorecard education and training.....	66
7.4. Analysis of Barrier 4: The strategy is not formulated in a strategy map.....	67
7.5. Analysis of Barrier 5: Inadequate IT support.....	69
7.6. Analysis of Barrier 6: Inadequate project team	70

7.7. Analysis of Barrier 7: Not involving the whole organization	71
7.8. Analysis of Barrier 8: Inadequate Key Performance Indicators (KPIs).....	73
7.9. Analysis of Barrier 9: Lack of planning and communication	74
7.10. Additional findings in Plava Laguna	75
CHAPTER 8: CONCLUSION	77
8.1. Limitations	78
BIBLIOGRAPHY	79
Appendix A: Plava Laguna’s Facility Portfolio, Capacity and Overnights in 2008.....	83
Appendix B: Plava Laguna’s Organizational Structure	84
Appendix C: Transcript of Interview 1 – Individual.....	85
Appendix D: Transcript of Interview 2 – Focus Group	88

LIST OF FIGURES AND TABLES

FIGURES:

Figure 1. Translating Vision and Strategy: Four Perspectives.....	9
Figure 2. How one company linked measures from the four perspectives.....	13
Figure 3. Strategy Map	14

TABLES:

Table 1. Development of interview questions and other sources of data.....	38
Table 2. Comparison of barriers identified in the literature and those identified in the case of Plava Laguna.	76

CHAPTER 1: INTRODUCTION

1.1. Background and motivation for the study

Since the concept was introduced in the early 1990s by Kaplan and Norton as a performance measurement system, the Balanced Scorecard (BSC) has attracted considerable interest among different organizations, practitioners and researchers. According to Niven (2006), 60% of the Fortune 1000 companies are either implementing or attempting to implement the BSC. Further, a study conducted by Bain & Co (2009) states that about 49% of organizations in North America, 54% in Europe, 52% in Asia, and 56% in Latin America use the BSC. Due to its wide acceptance and effectiveness, the BSC was proclaimed one of the 75 most influential ideas of the twentieth century by *The Harvard Business Review* (Niven 2005, 2006).

The BSC can be viewed from many aspects and different approaches can be made to study it. In order to understand the issues related to the BSC, deep research of the concept is needed. To ensure that the study is practically related and that its results are applicable, a real organization was chosen as a case study. The chosen company is Plava Laguna J.S.C, the company where the researcher is employed. Soon after this choice was made, an investigation of the opportunities to implement the BSC in Plava Laguna started. The issue was discussed in different departments and with several company managers. Further, a meeting with the managing director was arranged. The majority of people were very enthusiastic about the idea of implementing the BSC in Plava Laguna and assurances were given that all the needed resources would be made available and that the implementation process would start soon after the decision had been taken. Interestingly and surprisingly, in a discussion conducted with one of the company managers, it emerged that there had already been an attempt to implement the BSC in Plava Laguna in 2002. The outcome of the initiative from 2002 had never seen the light of the day and it was never used in practice. The existence of a previous BSC initiative in Plava Laguna raised many concerns about the reasons for the failure of the previous initiative.

In order to build a BSC in an organization, a great deal of effort is needed. Resources such as time, expertise, and money should be employed in every BSC initiative. Despite its worldwide popularity, the success of the BSC is quite low. According to Atkinson (2006, cited by Othman, 2007), it is estimated that 70% of BSC initiatives have failed. This fact brings to mind the difficulties involved in the implementation process of the BSC, and the reasons which cause so many BSC initiatives to fail.

Osborne and Gaebler (1992, cited by Poister, 2003) in their book “Reinventing Government” stated:

“What gets measured, gets done. If you don’t measure results, you can’t tell success from failure. If you can’t see success, you can’t reward it. If you can’t reward success, you’re probably rewarding failure. If you can’t recognize failure, you can’t correct it.”

Following this philosophy which is closely related to the concept of the BSC (performance measurement; learning; success; reward) and the philosophy of learning from failure, the decision was made to investigate the reasons for the failures of BSC initiatives in a real life example. This choice was motivated by the desire to make the BSC work without repeating the same mistakes in the implementation process and to learn from past failures. The Plava Laguna Company will serve as a case study. After identifying the reasons for the past failure, recommendations will be made and agreements found for the future implementation of the BSC.

1.2. Problem statement

Although many different organizations are using the BSC as a management technique to implement corporate strategy, a number of them have encountered different problems when trying to introduce the concept in their business. The

majority have either implemented the BSC but without any significant improvement in performance, or they have given up in the implementation process itself.

What makes the implementation of the BSC so difficult? A literature review and different cases will be used to identify reasons for failure. Taking this as a foundation, it will be assessed if there is any relation between the many reasons discovered by researchers and the reasons identified as causing the BSC implementation in Plava Laguna to fail. The objective is to closely analyze the possible obstacles to implementing the BSC and to bring recommendations for future BSC initiatives to overcome these barriers and to promote its advantageous use.

For this aim, the following research questions have been chosen:

1. What makes BSC initiatives fail?
2. What made the BSC initiative at Plava Laguna fail?
3. What can a company learn from past failures of BSC initiatives in order to succeed in implementing the BSC in the future?

This study investigates the reasons for the obstacles that prevent the successful implementation of the Balanced Scorecard. A number of studies and cases are investigated to identify these barriers. Then, the reasons behind the failure of the BSC initiative in Plava Laguna are studied. The found results are further used as a basis for recommendations for a future BSC initiative in Plava Laguna.

1.3. Research purpose

The objective of this thesis is to increase understanding of the threats which may cause BSC initiatives to fail. The goal is to define the reasons that make the implementation of the Balanced Scorecard so difficult. To meet the goal, this research aims to:

- research the literature which deals with the concept of the Balanced Scorecard and the potential issues of its successful implementation;

- employ case study research using Plava Laguna J.S.C. as the studied organization;
- discover the reasons for the Balanced Scorecard initiative not to succeed in Plava Laguna;
- propose recommendations for a future Balanced Scorecard initiative in Plava Laguna in order to overcome the potential barriers to its implementation and to its beneficial use.

This contribution will have a direct impact on the company Plava Laguna but also any other individuals who have an interest in the topic of the BSC. It is hoped that this thesis will be useful particularly to companies which strive to implement the BSC to help them avoid mistakes in its implementation or which may result in a poor performance of the initiative.

1.4. Structure of the thesis

Chapter 1 introduces the thesis and explains the background and motivation of the study, the problem, the research purpose, and the structure of the thesis. In Chapter 2 the concept of the Balanced Scorecard is presented. Chapter 3 reveals the possible obstacles which may obstruct the successful implementation of the Balanced Scorecard found in various sources of literature. Chapter 4 outlines the methodology applied in this thesis. The research design is explained, the use of focus groups and interviews are described and an account is given on how interview questions were developed. Chapter 5 contains a short description of and the most important information on how the case study was organized. In Chapter 6 the data collected and the findings of the study are presented. In Chapter 7, Discussion and Recommendations, the empirical findings are discussed and recommendations for a future BSC initiative in Plava Laguna are proposed. Chapter 8 presents the conclusions drawn from the analysis and findings of the previous chapters. The limitations of the study are also discussed in this final chapter.

CHAPTER 2: THE BALANCED SCORECARD CONCEPT

This chapter presents the concept of the Balanced Scorecard. After a short introduction of the concept and its origin, the evolution of the Balanced Scorecard is described. This is followed by a discussion of the perspectives included in the Balanced Scorecard concept. The chapter ends with a consideration of the meaning and importance of the term “balance” in the Balanced Scorecard concept.

2.1. The origins of the Balanced Scorecard

The Balanced Scorecard was developed by Robert Kaplan, a Harvard University professor, and David Norton, a consultant from the area of Boston. In 1990 they started research in several companies with the aim of exploring new methods of performance measurement. Traditionally, industries had been relying mainly on financial measures to indicate performance. Many criticisms arose about using only financial measures to track organization performance. In their study, Kaplan and Norton argue that financial measures were too one sided and not relevant to many levels in the organization and that reliance only on financial measures may affect the ability of organizations to create value (Niven, 2006).

Kaplan and Norton (1992) argue that focusing exclusively on financial performance measurements worked well in the era of industrialization, but in the era where new competences were emerging, financial measurements are not enough. Niven (2006) indicated some criticism of the excessive use of financial measures:

- **The rising importance of intangible assets.** Traditional financial measures are not designed to capture the aspects or performances of customers, suppliers, employees, company culture, quality, and opportunities for learning and innovations. Performances of these intangible assets should be

measured because they represent the operational drivers for future financial performance.

- **No predictive power for the future.** Even if financial measures are an excellent summary of past achievements, they are not able to show the right path for future activities and events.
- **They do not represent cross-functional and team-work activities.** A great deal of business value is created by the collective efforts of different functional areas. Financial statements, on the other hand, represent individual achievements of different functional areas summarized in the overall company picture. They are not able to track the various relationships which continuously develop within an organization in different functional areas.
- **Short-term view.** Focusing only on financial measurements may harm long-term success. In contrast to activities which bring results in the long term such as research and development, employee training, or customer relationships, cost reductions may lead to temporally better financial results but threaten future development and the creation of long-term value.
- **They do not involve all levels of an organization.** To effectively perform their daily activities, all employees need performance information. Financial measures often involve information from all levels summarized in high-level financial statements. Data presented in such a manner may not be very useful because very often they do not reach all the levels of the organization and its employees.

Some practitioners argue that managers can hardly work with multiple measurements of performance. However, Kaplan and Norton (1992) make an analogy with an airplane cockpit. They explain that for the complex task of navigating a plane, the pilot should rely on a number of indicators and instruments to reach the destination safely and efficiently. He needs detailed information about fuel, airspeed, pressure, altitude, destination, and other indicators that summarize the current and predicted environment. Relying only on one instrument could be fatal. The same can be said for organizations. Managers should recognize the need to track performance in several areas. The Balanced Scorecard should therefore provide answers to four

basic questions that look at the business from four important perspectives (Kaplan and Norton, 1992):

- How do customers see the business? → Customer Perspective
- What is it important to excel in? → Internal Process Perspective
- Can the business continue to improve ability and create value? → Learning and Growth Perspective
- How do shareholders see the business? → Financial Perspective.

2.2. The evolution of the Balanced Scorecard

From its development as a performance measurement tool, the Balanced Scorecard has considerably evolved. According to Lawrie and Cobbold (2004), the evolution of the Balanced Scorecard may be represented by three generations of Balanced Scorecards. They concluded that the evolution of the BSC was mainly driven by the empirical evidence of weaknesses found in previous generations. In the early 1990s, the focus was on developing financial and non-financial measures of performance; in the mid 1990s the focus moved to aligning the measures with strategy; in 2001 the BSC took its current shape as a strategy implementation tool (Othman et al., 2006).

The main concern of the first generation of the Balanced Scorecard as a performance measurement tool was to solve the measurement problem of balancing the accuracy and integrity of financial metrics with the drivers for future financial success (Niven, 2005). Lawrie and Cobbold (2004) argue that in the original design of the BSC concept, the selection of which measures to include was not sufficiently clear. This was evident in two respects: the organization did not know what measures to include in the Scorecard, and it was not clear which measures should appear for which perspective.

To overcome these weaknesses, Kaplan and Norton (1993) introduced the concept of strategic objectives. In their view, there should be direct mapping between each strategic objective placed in the four perspectives with one or more performance measures. This would provide justification for the selected measures. In addition,

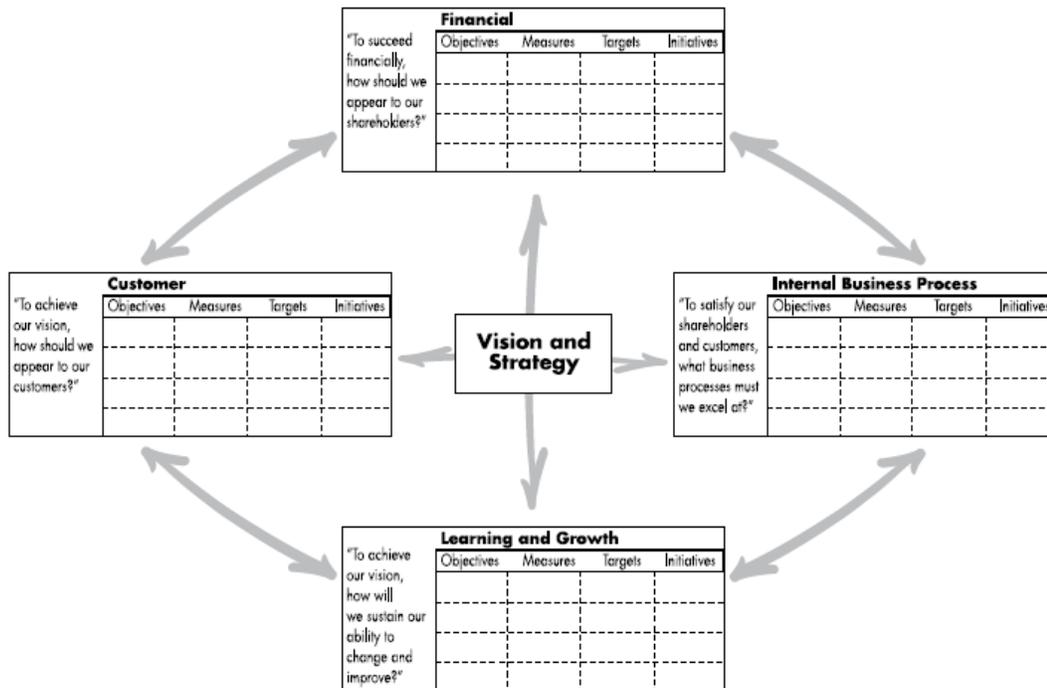
they linked the strategic objectives in a tool called a strategy map to show the causality between them (Lawrie and Cobbold, 2004). In the second generation, from a strategic measurement system, the Balanced Scorecard evolved into a strategic management system with the intention of supporting management in the implementation of strategy (Niven, 2005).

The criticism of the second generation of the BSC was based on the lack of interpretation and understanding of the vision and mission statements from lower levels of the organization, which were preserved only for high level management (Lawrie and Cobbold, 2004). Niven (2006) argues that the use of a Balanced Scorecard may be seen as a tool for measuring performance, a strategic management tool, and a tool for communication. Enhancing the communication role of the BSC was the goal of the third generation of its development. According to Niven (2005), company strategy should be understood not only by executives, but it should be transformed into simple objectives and measures understood by all the people in the company and this should lead them to achieve real results. The third generation of the Balanced Scorecard aimed to reach all levels of the organization by cascading high level Balanced Scorecards to lower levels. Further, through the description in the strategy map, the BSC should show all employees what they must do in each of the four perspectives in order to execute the company strategy.

2.3. The Balanced Scorecard perspectives

The original Balanced Scorecard designed by Kaplan and Norton identified four perspectives. The Balanced Scorecard supplements the traditional way of measuring performance with financial measures by adding measures from the perspectives of customers, internal processes, and learning and growth. In this way, it enables organizations to monitor the intangible assets needed for future growth (Kaplan and Norton, 1996b). The four perspectives are: the Customer Perspective; the Internal Process Perspective; the Learning and Growth Perspective; and the Financial Perspective (illustrated in Figure 1).

Figure 1. Translating Vision and Strategy: Four Perspectives (Kaplan and Norton, 1996b)



2.3.1. Customer Perspective

In the Customer Perspective, the aim is to identify the customer and market segments in which the organization will compete, and, accordingly, the measures to track related performances (Kaplan and Norton, 1996a). The Customer Perspective should ask how an organization appears to customers in order to achieve the organization's vision and mission. This reflects the factors that are really important to customers (Kaplan and Norton, 1992). Kaplan and Norton (1992) recognized these factors in: time, quality, performance, service, and cost. Niven (2006) argues that to achieve positive financial results, organizations need to create and deliver products and services which customers perceive as adding value. According to him, the

measures in the customer perspective should answer three questions: What are our target groups of customer? What do they expect or demand from us? What would the value proposition for us be in serving them? The value proposition may be chosen within three differentiators (Kaplan and Norton, 2000):

- Operational excellence – focus on low price and convenience;
- Product leadership – offer the best product in the market;
- Customer intimacy – focus on long-term customer relationship through a deep knowledge of their needs.

The most common measures for this perspective include: customer satisfaction, customer loyalty, and market share (Niven, 2006).

2.3.2. Internal Process Perspective

Great customer performance is the result of processes, decisions, and actions which managers need to focus on in order to satisfy customer needs (Kaplan and Norton, 1992). According to Kaplan and Norton (2000), in the Internal Process Perspective the organization determines how it will achieve the value proposition for its customers and the productivity improvements to reach its financial objectives in order to satisfy its shareholders. This perspective measures the business processes that have the greatest impact on customer satisfaction. It measures factors like quality and employee skills. Here, companies should identify and measure their core competencies and technologies critical to ensuring market leadership (Kaplan and Norton, 1992). Measures that can represent this perspective are inventory turnover, delivery, productivity, cycle time, and research and development expenses (Niven, 2006).

2.3.3. Learning and Growth Perspective

The next perspective is represented by the Learning and Growth Perspective. By measuring the organization's ability to innovate, improve, and learn, the Learning

and Growth Perspective identifies the needed infrastructure to support the other three perspectives. Niven (2006) argues that measures of the Learning and Growth Perspective are the enablers of the other perspectives and represent the foundation of the Balanced Scorecard. According to Kaplan and Norton (1992), continual improvements and the ability to learn and introduce new products and services are the precondition to survive, expand in the global marketplace, and increase the company's value. Knowledge, employee skills and satisfaction, the availability of information and adequate tools are frequently the source of growth and therefore the most common measures of this perspective (Niven, 2006).

2.3.4. Financial Perspective

Although the Balanced Scorecard was developed in part as a reaction against the excessive reliance on financial measures, the financial measures are still an important component of the Balanced Scorecard (Niven, 2006). According to Kaplan and Norton (1992) and Niven (2006), measures in the Financial Perspective indicate whether the implementation of the company strategy and its execution are contributing to the improvement of bottom-line results. Focusing resources, energy, and capabilities on customer satisfaction, quality, knowledge, and other factors in the other perspectives without incorporating indicators showing the financial returns of an organization may produce little added value (Niven, 2006). According to Niven (2006), the Financial Perspective focuses on measures which have the goal of enhancing shareholder value. The most commonly used measures are derived from the objectives of revenue growth and productivity, such as return on equity, return on investment, revenue, gross margin, and other indicators (Niven, 2006).

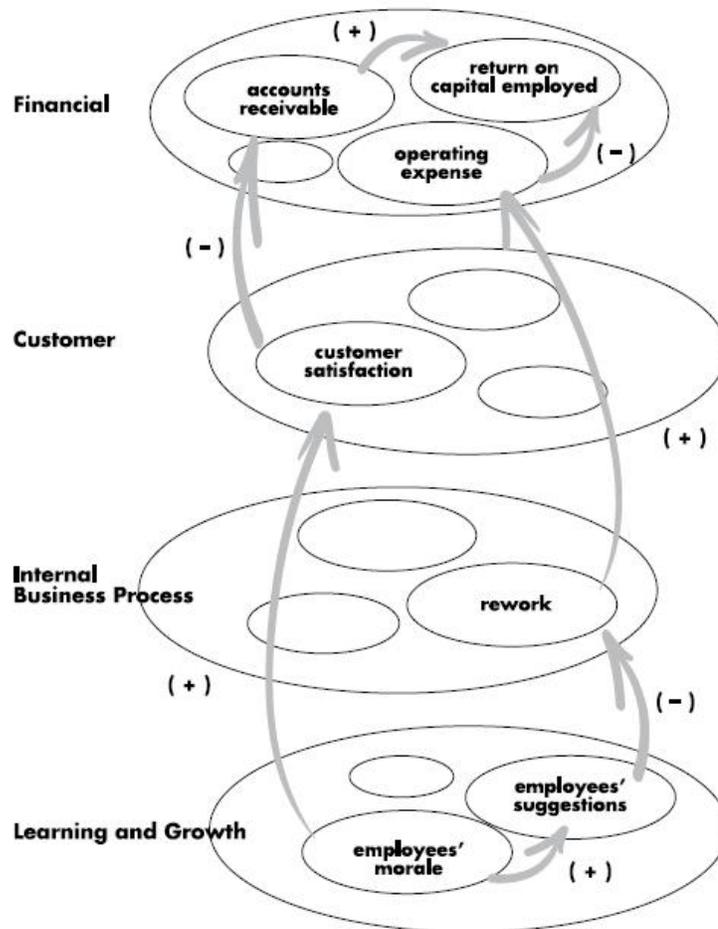
2.4. What is “balance”?

The Balanced Scorecard aims for a complete description of everything that it is important to know in order to execute the company strategy spread over four perspectives (Olve et al., 2003). Besides introducing non-financial measures to

motivate optimal management decisions, the Balanced Scorecard shows its “balance” in a few other ways:

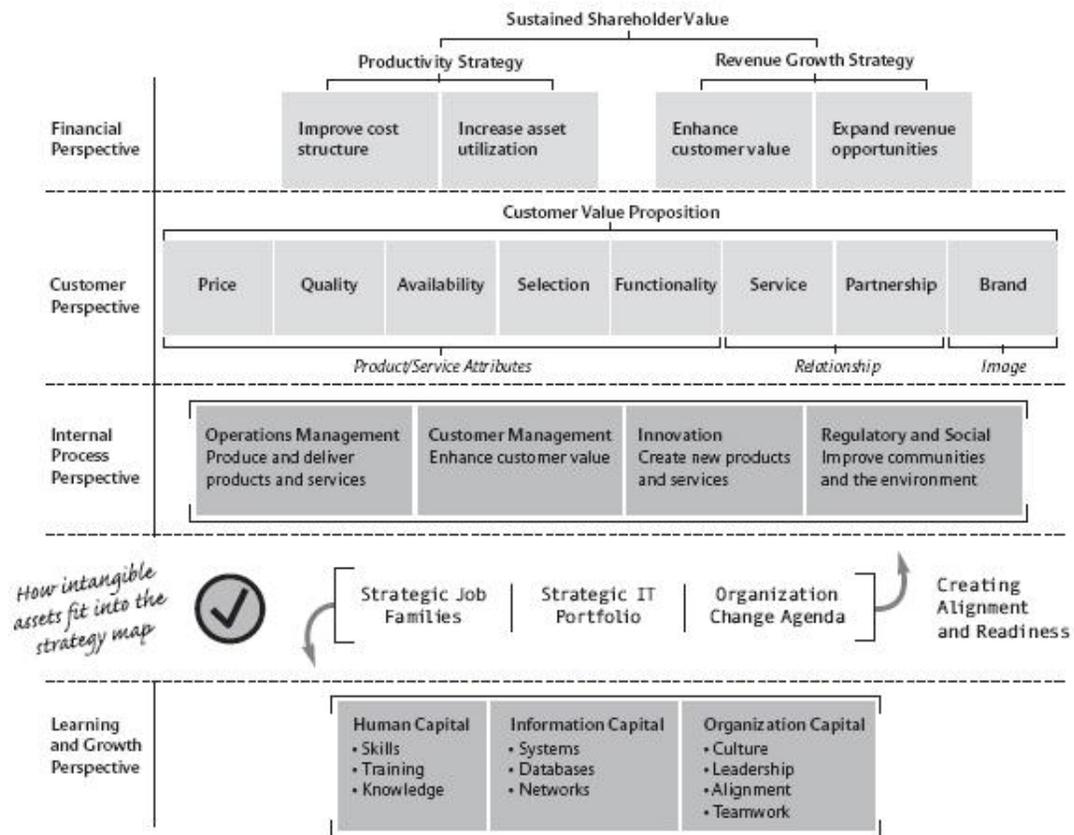
- According to Olve et al. (1999), the BSC should link short-term operational control to long-term vision and strategy, following day-to-day operations which will affect tomorrow’s development. In this way, the BSC is based on three dimensions in time: yesterday, today, and tomorrow: “what we do today for tomorrow may have no noticeable financial impact until the day after tomorrow” (Olve et al., 1999). In this context, the Balanced Scorecard contains a mix of lagging (performance objectives) and leading indicators (performance drivers). Lagging indicators represent the consequences of previously taken actions, while leading indicators are measures that drive and enable the results measured by the lagging indicators (Niven 2005 and 2006, Olve et al. 1999 and 2003).
- The Balanced Scorecard is balanced in that it shows both the internal and external aspects of the business. It indicates the internal processes important to achieve business results, but also the external view from the customers’ and market position (Olve et al., 2003).
- The Balanced Scorecard is linked through a series of cause-and-effect assumptions (Olve et al. 2003). According to Kaplan and Norton (2000), strategy is the movement of an organization towards a desired but uncertain future position. It consists of a series of linked hypotheses and assumptions on the best way to reach this future position. According to Niven (2006), the Balanced Scorecard aims to document and test the assumptions which inhere to the strategy. He argues that the Balanced Scorecard should describe the strategy through selected measures and objectives appearing in the strategy map. Measures linked together in a cause-and-effect chain of relationships from the performance drivers should be reflected in the performance objectives in the Financial Perspective. Figure 2 shows an example of linking the measures from the four perspectives.

Figure 2. How one company linked measures from the four perspectives (Kaplan and Norton, 1996)



The strategy map is a tool used to define these cause-and-effect relationships and to make them explicit and testable (Kaplan and Norton, 2000). To execute the strategy, everyone in the organization should understand the hypotheses and align them with all organizational units and resources (Kaplan and Norton, 2000). Figure 3 shows an example of a strategy map.

Figure 3. Strategy Map (Kaplan and Norton, 2004)



Nevertheless, despite its worldwide popularity and its recognition as a powerful management tool, the success of the BSC is quite low. Although many organizations have adopted the BSC, a great number of them have encountered problems when trying to introduce the concept in their business. In the next chapter, possible obstacles to the successful implementation of the Balanced Scorecard found in various sources of literature will be examined. By duly taking into consideration the outlined barriers, organizations may save resources such as time, expertise, and money which are used in every BSC initiative.

CHAPTER 3: BARRIERS TO THE IMPLEMENTATION OF THE BALANCED SCORECARD

The conceptual framework of the BSC presented in Chapter 2 is complemented in this chapter by drawing on various sources of literature. These sources of literature are examined in particular to help identify common barriers to the implementation of the BSC. This phase of the research is considered essential to frame the questions for the interviews in the case study presented in Chapter 4.

3.1. Barrier 1: Limited understanding of the Balanced Scorecard

According to Othman (2009a), one reason why BSC initiatives fail is that many initiatives are not Balanced Scorecard programs in the first place. He goes on to say that very often organizations do not understand what exactly the Balanced Scorecard is and what its implementation involves, regardless of whether they implement the BSC themselves or whether they hire a consultant from the outside. Implementing Key Performance Indicators (KPIs) is not the same as implementing the Balanced Scorecard. He compares this with “calling a donkey a horse and expecting the donkey to win a horse race”. Othman et al. (2006) agree that the difficulty in studying the BSC is that there is no consensus on what the BSC is all about. They explain that the BSC has had different meanings at different times: in the early 1990s, the focus was on developing financial and non-financial measures of performance; in the mid 1990s it moved to aligning the measures with strategy; in 2001 the BSC took its current shape as a strategy implementation tool. Some companies moved the focus of the BSC in the same way as it developed: they first implemented the BSC as a performance measurement system and later developed it as a strategy implementation system.

Olve et al. (2003) identified the main purposes of the BSC as follows: “Scorecards aim to change behavior through communication in order to realize the intended

strategy”. They highlight the importance of the Scorecard to document strategic logic and the cause-effect relationships between current activities and long-term success: “doing the right thing now is expected to produce long-term rewards”. Finally, the main purpose of the Balanced Scorecard is to translate the strategy into terms that are meaningful for the organization members in their everyday activities.

Niven (2006) stressed that the Balanced Scorecard, once implemented, should represent the starting point of performance management where strategy, and certainly not financial control, leads the firm in its direction. In these terms, the BSC is a guide for all employees which encourages change to execute the strategy and meet objectives.

The Balanced Scorecard is a tool to facilitate communication within the process of translating the strategy. If the BSC is used only as a tool for measuring and monitoring performance in the dimensions incorporated in it, without implementing the related process, this will restrict the effectiveness of the Scorecard and it is more likely to fail (Olve et al., 2003; Davis, 1996; Hasan and Tibbit, 2000 as stated by Othman et al., 2006).

Olve et al. (2003) presented their findings about the implementation of BSC in several Scandinavian companies. They noticed that many companies are attracted by the format of the Balanced Scorecard. Companies introduce the BSC to show their plans in four (in some cases, five) perspectives using existing measures to provide an overview. Even if some new measures in the Scorecard emerge, using the Balanced Scorecard in this manner to display measures will be worthless and at the same time costly. They conclude that many benefits of Balanced Scorecards are achievable only if the Scorecards are seen as a tool to:

- inspire dialogue and communication;
- picture the strategy;
- share the strategy aims;
- assist the implementation of the strategic aims through discussions and through a view from different perspectives.

3.2. Barrier 2: Lack of executive sponsorship

No initiative in an organization, regardless of its potential, has any chance of success without a sponsor in top management (Niven, 2005). The same applies with the Balanced Scorecard. Niven (2005) stresses the importance of top management for the success of the Balanced Scorecard initiative. He argues that if top management does not support the BSC initiative, and, more importantly, does not appreciate its role in solving real-life problems, the BSC will show mediocre results and will probably fail.

According to Olve et al. (2003), the absence of executive sponsorship will harm every BSC initiative. Top management should stand behind such an initiative since the BSC is a tool for executing company strategy. Top management should explain to the other members of the firm why the BSC is so important. Of course, it is not enough to talk about the benefits the BSC may bring. In order for the BSC to gain credibility, top management must trust it and strongly believe that it will improve the company. Only if employees feel such faith in the BSC is there a chance of success. This is further expounded by Niven (2005) citing Charan and Bossiday (2002):

“The leader’s personal involvement, understanding, and commitment are necessary to overcome this passive (or in many cases active) resistance. She has not only to announce the initiative but to define it clearly and define its importance to the organization.”

The result of such a lack of leadership involvement is a waste of resources (time, money, energy) and a loss of trust in the leaders by the employees. Top management is responsible for promoting the BSC in a way that differs from faddish past initiatives (Othman et al., 2006; Niven, 2005; Olve et al., 2003). Niven (2006) confirms that if management gives little support to the Balanced Scorecard, employees will soon perceive it as a project which is not worth their time. Othman (2009a) puts great importance for the success of the Balanced Scorecard on top management commitment toward the program. According to his findings, many BSC initiatives fail because top management was never really committed to the program. In other words, management started the initiative more out of a desire to follow the

latest management fad, while for subordinates it was just another “BOHICA: bend over, here it comes again!”

3.3. Barrier 3: Lack of Balanced Scorecard education and training

If a company wants to implement the Balanced Scorecard properly and reap all the benefits this concept may bring, people should first learn about it. Niven (2006) noted that organizations, after deciding to implement the Balanced Scorecard, conceive that it can be done without much learning. According to him, due to its seeming simplicity, people in charge very often conclude that thorough education and training are not required. Such a conclusion will permanently harm the BSC initiative and lead to failure. The reason is quite simple. The Balanced Scorecard is very often introduced because of its attractive design and popularity: put your strategy into four (or sometimes five) perspectives and results will very soon follow. However, the Balanced Scorecard is something more (Barrier 1). To find out what this “more” is all about, in-depth education and training are needed.

A lack of education of top management and team members in charge of building the BSC will certainly be a big minus. If those who are supposed to promote and stand behind the initiative do not fully understand what they are trying to transfer to others, how can someone else trust them? If they do not appear self-assured and, at the same time, if they do not seem very knowledgeable, skepticism about the initiative will grow (Niven, 2006). Due to limited budgets or because of the perceived simplicity of the tool, BSC education and training are very often preserved only for high-level managers or only for project team members. The essence of any BSC initiative is to lead people throughout the organization to implement the strategy. If those people do not understand the tool in depth, there is no chance that they will find the right path to do this. According to (Niven, 2006), the result will be poor Scorecard design, accompanied by its lack of use and weak alignment throughout the firm.

3.4. Barrier 4: The strategy is not formulated in a strategy map

Strategy is the core of any management system. According to Niven (2006), the Scorecard has its roots in the organization's strategy which should align the organization from top to bottom and guide all action and decisions towards the organizational aims. There may theoretically be a Balanced Scorecard without a strategy. But in practice this would not be implementing the real essence of the concept which translates the strategy by stimulating communication through the measurement of performance, and which initiates change and inspires initiatives. Further, Niven (2006) emphasizes that the BSC could perhaps be developed without the background of the strategy, but this would be perceived as another performance management system, and other benefits of the BSC would never be gained.

So, the main idea in the BSC is to understand the organization's strategy as a causal model of its performance goals. Othman (2009a) points out that to make the Balanced Scorecard work properly, managers must recognize that this is possible only if a well thought-out strategy has been formulated. The use of a Balanced Scorecard must be preceded by the formulation of the strategy. The Balanced Scorecard is the tool to implement the formulated strategy. Othman goes on to explain that Key Performance Indicators (KPIs) that are not based on the strategy or that are derived from a poorly developed strategy are only another way of measuring performance instead of managing it.

To depict the strategy, a tool called the strategy map is incorporated in the Balanced Scorecard. The main elements of the strategy map are strategic outcomes and their performance drivers. The strategy map should be the basis for the development of KPIs. Othman (2009a) recognizes that some of the reasons for confusion and contention in developing KPIs are the absence or poor development of a strategy map. Without a strategy map there can be no agreement on what the most appropriate KPIs are in each perspective. Further, there will be no clear responsibility for the KPIs. In every strategy map, people need to find their role in the execution of the strategy. In a Balanced Scorecard without a map, people would hardly adopt the KPIs and they would not be committed either to them or to the strategy. In this kind of situation where KPIs are created without consensus, there is

the risk of developing too many KPIs which may create confusion. Furthermore, no explanation about the source of the created KPIs would result in behavior marked by compliance rather than enthusiasm (Othman, 2009a).

3.5. Barrier 5: Inadequate IT support

To assist the company's strategic discussion and learning processes, the Balanced Scorecard should be continually updated with current and operationally relevant information. Inputs are needed at all stages of a BSC initiative. IT should act as a facilitator and has an important role as support at different stages of the BSC initiative in terms of (Olve et al., 2003):

- preparing the initial stages of the BSC project;
- defining and linking measures;
- setting goals, and observing performances;
- managing strategic initiatives and action plans.

At the beginning of the BSC initiative, a summary of materials which arise from working on the strategy must be introduced in the Scorecard. This process could be considered well formulated if the strategy map explicitly links the goals with the more concrete success factors and metrics in each perspective, followed by a set of initiatives. Further, the relationship between different Scorecards must be clearly articulated and every metric must be defined in a concise and systematic way. In accordance with the predefined time schedule, targets must be reviewed and appropriate initiatives defined. As is already stated, operating and maintaining the Scorecard requires continuous inputs.

The BSC is supposed to boost new behaviors, communication and cooperation. If information is not duly entered into the system, the Balanced Scorecard initiative will probably be worthless. Even if the needed information has been recorded in the Scorecard and its databases but has never been retrieved and viewed by the people who are supposed to benefit from the system, it will not make any worthwhile

contribution to the organization or justify the investment put into the Balanced Scorecard (Olve et al., 2003).

Niven (2006) emphasizes the problem of gathering and entering data into the Balanced Scorecard. In his view, this can sometimes represent a unique challenge. He uses the term “Balanced Scorecard Police” for people in the organization who, trying to collect data on the organization, have to negotiate with the different owners of the data and measures.

By definition, the Balanced Scorecard is not a complex concept (no more than 20 measures per Scorecard spread across four perspectives, combining financial and non-financial measures). In effect, the processes of collecting, analyzing, reporting and distributing information related to a BSC initiative can be labor intensive and time consuming, which may create many problems, especially in large or complex organizations. These processes may represent exhausting work on which people may spend the majority of the time planned for the BSC initiative. Engaged in these efforts, people will soon show resistance toward the initiative. Such problems may be overcome by designing a system to provide Scorecard information automatically from other transaction systems in the organization or from ERP (Enterprise Resource Planning) systems (Niven, 2006; Olve, 2003).

3.6. Barrier 6: An inadequate project team

There is no single individual within an organization who is aware of everything about the strategy, customers, competitors, partners, and competences to build a tailored Balanced Scorecard. This applies to the company CEO or director (Niven, 2006). According to Niven (2006), to create a Balanced Scorecard that works, that is capable of implementing the company strategy, linking individuals, creating new behavior and enhancing communication, a team of people is needed. Many ambitious initiatives have failed just because they were led by ineffective teams.

Let us start from the beginning. Certainly, a team is not formed without this having been decided by someone. This should be a decision from the top of the firm. Indeed, who is more responsible for the company strategy than the managing director? Colins (2001) describes the behavior of great leaders. According to him, they do not start with a vision and strategy. Instead, they begin with people, and strategy comes second. They should take the right people on the bus, move the wrong ones off, and place the right people on the right seats. Then comes the strategy – where to drive.

The design of the project team is a fundamental step. These people will be in charge of boosting something that has probably never happened before. If they fail, the BSC will fail. According to Niven (2006), in an ideal situation the whole executive team would take responsibility for developing the Balanced Scorecard. Even if in practice this rarely happens, it should never be underestimated. The higher the management level, the better it is for the initiative. In his reasoning, Othman (2009a) explains that BSC initiatives fail because top management delegates the implementation of the BSC to a committee of middle managers. This level of managers does not have the power to coordinate such an initiative in all areas of the business. In addition, it is too remote from the top of the company where the strategy is designed. According to him, this kind of superficial approach to the BSC initiative guarantees its failure. Niven (2006) also sees that relying exclusively on more lowly positioned employees to conduct the BSC initiative is a potential reason for failure. They are not always involved in the strategy at a sufficiently deep level to contribute significantly to the development of a BSC. Another problem which comes from assigning the initiative to staff in lower positions is their indecision and insecurity. Employees at this level may hardly be sure that the decisions they make will be the right one for the success of the company. Besides, leaving such a project which should initiate change to employees who in general do not appreciate change is very risky (Niven, 2006).

The size of the project team may also become an issue if this is not optimally planned. It is important not to let the group grow to such a size that it brings less efficiency and slow action and reaction. On the other hand, if the team is too small there is the risk of leaving a certain part of the organization outside the project, and this may lead to inefficiency in the use of the BSC (Olive et al., 2003). However,

getting the right people on the bus is certainly a hard task. Many organizations fail just in that. In choosing the team, many organizations do not recognize the importance of including representatives of all areas that are supposed to use the Balanced Scorecard (Niven, 2006; Olve et al. 2003). Indeed, there is no other individual in the organization holding more information about a unit than a person working in that very unit. According to Niven (2006), by involving a number of people in the process of building the BSC, it is more likely that they will act as “ambassadors” within their unit and, in doing so, they will increase knowledge and enthusiasm for the BSC. People in every unit should be responsible for their own achievements. They should be able to suggest the best way to achieve the goals, all the necessary actions and initiatives, and the most reliable and objective metrics to measure the results.

Niven (2006) and Olve et al. (2003) recommend a properly designed project team in charge of the BSC initiative. They agree on one role, called differently by the two authors, but in essence this is the role of a team leader. Obviously, as in any other project, the team leader is the most important member of the team. If the team leader is not carefully selected, implementation of the BSC may be in serious danger. The BSC team leader is the one who guides other people and the process by scheduling meetings, providing background materials and data, and distributing knowledge and expertise about the concept (Niven, 2006). According to Norton and Russell (2005, cited by Niven, 2006), the selection of the team leader is the single most important resource decision for the Balanced Scorecard project. If this person is not skilled enough to easily communicate and cooperate with both executives and front-line employees, the BSC program will have a rocky path on its way to implementation and success.

Finally, time. Before recruiting any member for a project such as the BSC, the selector should consider the amount of time which each member can devote to the project. During the initial period of the development, the BSC project represents full-time effort for the development team (Olve et al. 2003). If this is not understood in time, and if the team members are not focused on the project, it will hardly succeed. According to Niven (2006), time is required to attend a variety of initial training

sessions and workshops, to review metrics, targets, and initiatives, and to communicate to executives and front-line employees.

3.7. Barrier 7: Not involving the whole organization

The members of the project team should not be the only people involved in the Balanced Scorecard. The Scorecard is a tool which should improve communication within an organization. It should cover the organization as a whole. Many initiatives have been unsuccessful because organizations have not recognized the need to address the Balanced Scorecard to all the points where the business logic, ambitions, and achieved performance are discussed (Olve et al., 2003). Niven (2006) emphasizes that any successful strategy implementation must be understood and acted on at every level of the firm. The Balanced Scorecard which aspires to be a tool to implement strategy should strive to do the same. The term “cascading” is commonly used to denote driving the BSC concept down into the organization and giving all employees the opportunity to demonstrate how their daily activities contribute to the company strategy (Niven, 2006; Olve et al., 2003).

Davis (1996), examining the BSC initiative in the General Electric (GE) Lighting Business Group, confirmed the importance of the participation of lower levels in the BSC initiative. According to him, involving employees at all levels in the development of BSC measures is crucial for BSC success. This will inspire ownership of the measures and commitment to achieve their targets. He stated:

“By showing employees how their performance influences the bottom line, frontline employees are encouraged to act like owners and ensure the future of their jobs.”

If the importance of employee involvement is not understood, the organization may miss the opportunity to benefit from the employees’ knowledge that is directly related to the areas in which they exert influence. In addition, if not directly involved, employees will not be able to focus on the performance drivers and on the design of

initiatives and decisions necessary to achieve the targets. According to Niven (2006), cascading the BSC from top to bottom is essential for the success of the initiative in larger organizations where front-line employees are remote from the source of the strategy. If the BSC is not cascaded to them, they will hardly learn about the strategy and will not be motivated to execute it because they will have no opportunity to demonstrate how they contribute to the overall success.

Othman et al. (2006) discusses the mistake of implementing and using the BSC in an arbitrary and top-down manner. In his view, this approach will lead to a lack of commitment from the rest of the firm other than the project team and top management, and it will be poorly understood. The importance of involving front-line employees was further identified by Othman (2009a). He reminds us that front-line employees have the most telling and timely inputs. For instance, interacting with customers, they understand their likes and dislikes. Such human judgment can hardly be replaced by an IT system!

3.8. Barrier 8: Inadequate KPIs

William Thomson, or Lord Kelvin, (1824-1907) was a British mathematical physicist and engineer whose name is closely related to measures and measurements. He was the developer of the basis of Absolute Zero, and for this reason the Kelvin, a unit of temperature measurement, is named after him. He stated about measurement:

“If you can’t measure it, you can’t improve it. ...”

“When you can measure what you are speaking about, and express it in numbers, you know something about it; but when you cannot measure it, when you cannot express it in numbers, your knowledge is of a meager and unsatisfactory kind.”

According to Olve et al. (2003), the decision about what metrics to incorporate in the Balanced Scorecard is perceived as one of the most difficult parts of the initiative.

This is because at this point all the employees involved feel the weight of the concept due to the initiatives which each of them should undertake to meet the targets. A wrong choice of measures or, better said, of Key Performance Indicators (KPIs), may damage all other BSC efforts.

The measures selected for a Balanced Scorecard should create a chain of cause-and-effect relationships that communicates the strategy to all parts of the organization (Kaplan and Norton, 1996a). As is already said, in order to depict the strategy, a tool is incorporated in the Balanced Scorecard called the strategy map. To make the BSC work as a strategy implementation tool, Othman (2009b) found that it was crucial to identify the performance drivers of the strategy. According to him, some BSC initiatives never become tools for strategy implementation because activities are incorporated in the BSC which in reality make little contribution to the strategy outcome. If BSC developers do not understand this in time, the initiative is doomed to fail.

Olve et al. (1999) argue that not all measures belong to the Scorecard, just the important ones. Organizations will still have numerous other metrics, but only those that contribute to the execution of the company strategy should be incorporated in the Scorecard. Too many may lead people to focus on the KPIs and forget the strategy and its execution.

There are also other mistakes related to KPIs. BSC developers, as Olve et al. (2003) state, very often cannot make a distinction among the performance outcomes (lagging indicators) and performance drivers (leading indicators). Lagging indicators represent the consequences of previously taken actions, while leading indicators are measures that drive and enable the results measured by the lagging indicators (Niven 2003 and 2006; Olve et al. 1999 and 2003). The Balanced Scorecard should contain a mix of leading and lagging indicators. Lagging indicators cannot provide answers about how to achieve targets. If we want people to understand the activities which should drive to the outcomes, performance drivers are necessary. Further, leading indicators may signal possible shortfalls and improvements that need to be made to achieve the wanted target. Niven (2006) emphasizes the importance of developing leading indicators. According to him, measures such as profits or the

quantity of sales are lagging indicators which can be used for benchmarking with other organizations and are available from a variety of external sources. Leading indicators represent all those processes and activities crucial to obtain lagging indicators. These processes are the true essence of business and are relatively hard to monitor or to be copied from others.

Othman (2009b) indicates that BSC developers sometimes confuse enablers and performance drivers. Enablers are necessary, but are not enough in themselves. He takes the example of IT and reengineering. According to him, the usage of IT in today's business conditions is essential. However, without reengineering processes making IT constantly faster and adaptable IT will not significantly influence performances. To make the BSC work smoothly, there is a need to understand the critical success factors of company outcomes. Once this is understood, performance drivers must be developed. Enablers would in addition enhance their effectiveness and the likelihood of achieving outcomes.

Another mistake made when developing the Balanced Scorecard relates to taking the existing measures commonly used by a company and placing them in the new tool (Niven 2006). According to Niven (2006), if this is done no advantages can emerge from the BSC. Many measures that are needed to tell the story of the strategy may already be present in the company. However, to execute the strategy, there is very often a need for additional and new measures. On the other hand, in the process of building the BSC, some existing measures may be found unnecessary and will be omitted from the new tool. This will save effort and will allow focus to be placed on the real essence of the strategy (Niven, 2006).

3.9. Barrier 9: Lack of planning and communication

Finally, we come to a barrier that would probably not stop a Balanced Scorecard initiative, but would surely make its implementation more complicated, cause it to last longer, and make people confused and unsatisfied.

Niven (2006) stresses that the development of the Balanced Scorecard requires a precise development plan to guide the selected team during the BSC journey. Without a formal plan showing the implementation path in advance there is the risk of confusion. Even if there is high interest among employees and a readiness to collaborate, a lack of organization may lead to failure (Niven 2005). The BSC plan should, as Niven (2006) believes, reveal to everyone in the organization what is planned to be achieved, with whom, why, how, and how long will it take.

There is no predefined plan or template for all organizations that shows how to build a Balanced Scorecard. Every organization must be taken as a separate case which means that the BSC must be developed and used according to the company's organizational needs and characteristics. According to Niven (2006), one of the many benefits of the Balanced Scorecard is its flexibility and its adaptability to the constraints of every organization.

Very often, for the purpose of introducing the BSC, organizations hire outside consultants (Niven, 2005 and 2006; Olve et al., 2003). Consultants may provide precious information and knowledge about the BSC and they can assist and guide the organization through to successful implementation. Often, many organizations do not understand the role of consultants who act only as facilitators to the main actors in the process – managers and employees. Relying only on consultants may lead to the development of a BSC which will hardly be applied in practice and will scarcely bring the wanted results. Company managers and employees must first be able to arrive at a good strategy and then design the tools to allow them to execute it. No consultant can define the strategy for them (Olve et al., 2003).

Closely related to the BSC development plan is the plan to ensure that everyone in the organization becomes aware of the Balanced Scorecard initiative – the communication plan. The Balanced Scorecard, after all, is a tool to initiate change. It is hard to believe that everyone in an organization would be familiar with this concept and its aims. In reality, the majority would never have heard of the BSC. According to Niven (2006), even those who are somehow familiar with the concept will show much skepticism to it if information is not regularly delivered to them. He argues that many efforts to make change, and thus the BSC, fail because they are not adequately

communicated to employees. The success of the Balanced Scorecard relies on employees' collaboration and support. A communication plan will enhance the likelihood of employees adopting the tool which will make it easier for the BSC to become a tool for making real business decisions (Niven, 2006).

The presented barriers are potential reasons for the Balanced Scorecard initiative in organizations to fail or not to provide the desired results. These barriers will be further examined in the case of Plava Laguna where there was an unsuccessful implementation of a BSC in 2002. Finally, it will be investigated whether the barriers found in the literature correspond to the reasons for failure in Plava Laguna.

CHAPTER 4: RESEARCH METHODOLOGY

In this chapter, the methodology chosen for this study is presented, showing the different methods applied to answer the research questions and to arrive at the conclusions. It will be explained why specific methods were chosen and what their specific advantages and disadvantages are. Further, the interview questions which were developed from the literature review are presented.

4.1. Research design

Here, the plan of the research and the detailed tactics which will help to answer the research questions and arrive at conclusions are presented.

An exploratory study was used to meet the aim of the research which was to make a close analysis of the possible obstacles to implementing the BSC and to provide recommendations to help future BSC initiatives overcome these barriers. An exploratory study is generally useful in three specific situations (Robson, 2002):

- To seek an explanation of a situation or problem - to answer the question what happened?
- To explain relating patterns to the researched phenomenon – to answer the question why it happened?
- To explain the relationship between aspects of a phenomenon – to answer the question how it happened?

Saunders et al. (2007) concluded that exploratory studies are particularly useful to understand the problem and to clarify the nature of the problem.

To collect data and to analyze them in this study, a qualitative research approach was employed. Saunders et al. (2007) observed that qualitative data analysis refers to non-numerical data as a product of different research strategies which allow the

researcher to develop theory from them. The study aims to detect the major reasons which hinder the implementation of the BSC and its correct use based on literature research. These reasons are further tested and presented in a real-life case example resulting in recommendations for future successful implementation. A qualitative approach was selected since, with qualitative data, the researcher has the opportunity to explore a subject in the “real world” (Robson 2002), which suits the purpose of this study.

4.2. Research methods

Saunders et al. (2007) described different procedures suggested by Yin (2003) that were particularly applicable for qualitative analysis. One of such procedures is called *Pattern matching*. As he explains, *Pattern matching* is a procedure used to predict an outcome based on theory allowing for an explanation of what is expected to be found in the research. He goes on to describe that after the analytical framework grounded in existing theory is developed, it is tested and explained in a real case example.

For the purpose of this study, a variation of this kind of research is employed. It starts by researching the theoretical framework in order to link the study to the existing knowledge of the Balanced Scorecard. Further, all potential reasons which cause a BSC initiative to fail will be investigated. In the first step of the study, the goal is to gather as many insights as possible about the research problem which will then be used to shape the research. The existing knowledge will be further compared to a real-life case – the failure of the BSC initiative in Plava Laguna, the case-study company. The theory gathered from books, articles, studies about the Balanced Scorecard and the possible reasons, discovered through research, for different organizations to abandon the BSC will give the necessary insights to shape the interview questions. The interview participants are people who were in charge of the BSC implementation project in 2002. The findings will derive from the answers collected in the interviews and other data gained from different documents and discussions conducted with the company managers. The reasons for the failed

implementation of the BSC found in the literature will be compared to the reasons for the failure of the BSC in Plava Laguna.

4.2.1. Case study

The aim of the study to find and understand the reasons for BSC failure will be sought by using a real-life organization as a case study. Saunders et al. (2007) agreed that a well-constructed case study can be convenient for exploring and challenging existing theory. According to them, the case-study approach is suitable for exploratory studies which have the ability to generate answers to the questions of what, why, and how.

Yin (2003, cited by Saunders et al., 2007) emphasized two dimensions of case studies:

- Those based on the number of cases employed in the research: single or multiple case studies;
- Those based on the unit of analysis: holistic or embedded case studies. A holistic study stands for researching an organization as a whole, and an embedded study means involving various units of one organization where the research is conducted.

Baxter and Jack (2008) presented additional categorizations of case studies developed by Yin (2003) and Stake (1995). Yin differentiated between explanatory case studies, which are used to explain complex causal links in real-life interventions; exploratory case studies, used to evaluate situations with no clear outcomes; and descriptive case studies, used to describe a real-life intervention or phenomenon. Stake (1995), on the other hand, divided case studies into intrinsic, instrumental, and collective ones. He recommended that intrinsic case studies should be used by those who are purely interested in the case and with the primary interest of better understanding. The use of instrumental cases is suggested to ensure insights into different issues. The case in itself is of secondary interest, but is often deeply analyzed to allow the researcher to gain external interest and try to

refine the theory. Collective case studies are similar to the multiple case studies defined by Yin (2003).

For the purpose of this study, a single holistic approach is employed. The company Plava Laguna serves as the case-study organization and the research covers the whole company without separately examining the various company units. In addition, the instrumental approach presented by Yin (2003) also fits into the aim of this study.

There may be certain negative implications in using the case-study methodology. According to Tellis (1997), a criticism of using a single case study may be that it is insufficient to provide a general conclusion. Hamel et al. (1993) and Yin (1994), quoted by Tellis (1997), refute this criticism, arguing that even a single case study may be enough to fulfill the purpose of the study if it has the goal of establishing parameters which will be applied to all research. Additional criticisms are directed toward the lack of methodological rigor and the possibility of bias (Yin, 1989, quoted by Christie et al., 2000). The same author concluded that with the careful design of the particular case study these criticisms can be avoided or at least reduced. Othman et al. (2006) concluded that although conducting research based on case studies with a limited number of organizations may limit the generalizability of findings, it can anyway provide valuable insights. He quoted Emory and Cooper (1991) who argue that case studies can provide depth and rich data to challenge the theory, thereby being a source of new hypotheses and constructs.

4.2.2. Focus group interviews

In case studies, different techniques can be employed and combined to collect data. Saunders et al. (2007) present three ways for exploratory research to be conducted:

- Researching the literature;
- Interviewing “experts”;
- Focus group interview.

Khan and Cannell (1957, quoted by Saunders et al., 2007) define an interview as a “purposeful discussion between two or more people”. Among the various types of

interview for the present study, one way of collecting data was through the individual and focus group interview, conducted in a semi-structured and sometimes in an unstructured form.

This kind of interview can contribute to the study in several ways. To seek new insights and find out what really happened in an exploratory study, Robson (2002) recommends using semi-structured interviews. In qualitative research using semi-structured interviews, the researcher may have a list of different questions or themes in order to meet the objective of the study. Depending on the course of the conversation, the interviewer may change the sequence of questions, skip some or ask additional questions for the purpose of better understanding the research problem (Saunders et al., 2007). When there is a need to deeply explore some case where the interviewee needs to talk freely and in a relaxed manner about the researched topic, informal unstructured interviews are the most suitable (Saunders et al., 2007). The flexibility of semi-structured and especially of unstructured interviews provides many advantages in qualitative research. Such types of interviews are applied in this study.

Kreuger (1988, cited by Lewis, 2000) defines a focus group as a "carefully planned discussion designed to obtain perceptions in a defined area of interest in a permissive, non-threatening environment". In focus group interviews, participants are led by a facilitator (moderator) who encourages them to discuss and share opinions about the topic without any pressure. The role of the facilitator is of great importance to keep the group focused on the discussed topic and to encourage discussion without pushing members of the group toward predetermined conclusions (Saunders et al., 2007).

The literature review starts with a short introduction of the concept of the Balanced Scorecard which is followed by an identification of the most serious barriers obstructing its successful implementation. Both the theory about the BSC and the barriers are further used as a background for developing interview questions. The purpose of the empirical part of this study is to gain as many insights as possible about the implementation process of the BSC in Plava Laguna and to find the reasons which contributed to the failure of the initiative. Subsequently, the potential

barriers for the implementation of the BSC found in the literature will be compared to those identified in the case of Plava Laguna. The final aim is to propose recommendations for future successful implementation.

Interviews were held and documents related to the implementation of the Balanced Scorecard were examined to study the Laguna BSC. To gain an overview of the BSC initiative, the first interview was arranged with the managing director who was the closest manager to the former director in 2002. Besides, he was also a member of the team responsible for running the BSC initiative. The second interview (focus group) was conducted with the remaining members of the BSC team. The purpose of the second interview was to find out additional details about the BSC initiative and particularly the views of these members on the problems encountered. In addition, it was very important to understand the involvement of each of them and their commitment to the initiative. The interviewees in Plava Laguna were carefully selected in order to obtain the most well-founded and reliable answers on the attempt to implement the Balanced Scorecard. In order to confirm the most important data, some questions were repeated in both interviews and discussed with the interviewees. Depending on the course of the conversation, both individual and focus group interviews would sometimes move from a structured to an unstructured form. Sometimes, the given answers would affect the further course of the interview. If there was no need for them, some questions were skipped. Additional questions were asked in order to better understand or to go more deeply into the subject. On some occasions, participants were left to talk freely. The aim was to make them feel relaxed and have a casual conversation. Both sets of interviews were audio recorded in order to be able to concentrate fully and to be free to listen attentively and observe people's body language, for example. In addition, knowing that it was being recorded allowed the interviewer to participate actively in the interview without the need to take hasty notes.

4.2.3. Action research

To gather additional useful data for this study and to ensure having all the necessary background information before the interviews took place, access was gained to

different documents and other materials related to the implementation of the BSC in 2002, as well as to additional material on the organization and operation of Plava Laguna. Conducting the study and at the same time being employed in the case-study organization will bring contributions to Plava Laguna. Plava Laguna will gain knowledge from the findings of this study, will learn the reasons for the previous implementation failure of the BSC, and will gain from the recommendations for its future implementation in Plava Laguna.

This kind of research is related to *action research*. Action research as a method of conducting research was first identified by Lewin in the 1940s (Eden and Huxam, 1996). Since then, different interpretations of action research have appeared, but the literature agrees on four common themes (Saunders et al., 2007; McDermot et al., 2008):

- Action research assumes research in action, rather than research about action. Action research is presented as a way of resolving some organizational issue together with those who experience the issue.
- The second theme is related to the mutual involvement and collaboration between the researcher and practitioners where the researcher is part of the organization.
- Action research is research with a clear context and a purpose to make the action more effective.
- The outcome of action research is not only a solution to the problem in the organization, but a contribution to scientific knowledge and theory.

Eden and Huxham (1996) emphasized the concept of action research as an effective strategy for the development of theory. According to them, action research can be used to transfer the knowledge gained from one specific context to another. This could happen, for instance, when a student undertakes research in an organization where he is employed. The same authors emphasize the power of action research to promote a process of change within an organization and particularly to ensure answers to “how” questions.

There are many advantages in conducting action research. Saunders et al. (2007) state that when action research as a strategy for change involves employees in the

research, this could only bring positive results. They quote Shine (1999) who indicates the importance of employees' involvement in the research process: employees will be more likely to implement change when they are engaged in the design of the process of change.

In this context, action research contributes to this study in several ways. It allows to gather the needed data for the research across the firm. It contributes to gaining an insight into the issue of the implementation of BSC in 2002, it helps Plava Laguna to obtain new insights about the BSC concept and its implementation, and involves different people in the research who will in future contribute to the implementation of a Balanced Scorecard in Plava Laguna.

4.3. Development of interview questions

Completing the conceptual framework by using multiple sources of literature before conducting the study was done to properly understand the concept of the BSC and, accordingly, its implementation barriers. The obtained knowledge was further utilized to shape the questions for the interviews in order to gather the needed data and find the reasons for the failure of the BSC in Plava Laguna. For this purpose, listed alongside each stated barrier are the questions asked during the interviews in order to find out the nature of each barrier in the case study.

Additional sources of information, such as documents related to the implementation process of the BSC in Plava Laguna, are also presented. These documents provide background information and factual data which contribute to the investigation and to understanding the problem. These data, for instance about different measures or key performance indicators (KPIs) used in the Balanced Scorecard, were collected without the need to ask additional questions in the interviews.

How the barriers are addressed is investigated in the case study through the following questions and by studying different sources of evidence as shown in Table 1.

Table 1. Development of interview questions and other sources of data

No	Barrier	Participants	Question	Other data sources
1	Limited understanding of what the Balanced Scorecard is	Managing director (MD)	1. <i>Why was the initiative started?</i>	<i>Minutes of the Supervisory Board Meeting conducted in March 2002 and May 2002.</i>
2	Lack of executive sponsorship	MD	1. <i>Who started the initiative to build the BSC in Plava Laguna?</i>	<i>Minutes of the Supervisory Board Meeting conducted in March 2002 and May 2002.</i>
		MD Project team	2. <i>After it was decided to start the BSC implementation, was there support from the top of the firm (the managing director) and was the BSC initiative one of the priorities of the firm in that period?</i>	
3	Lack of Balanced Scorecard education and training	MD Project team	1. <i>How did you learn about the BSC?</i> 2. <i>Did team members have some previous experience and knowledge about the BSC?</i> 3. <i>Did team members attend seminars, training sessions or some other kind of education about the BSC?</i>	<i>Evidence of seminars, literature and other sources used to learn about the BSC</i>
4	The strategy is not formulated in a strategy map	MD Project team	1. <i>Did you spend considerable time making the vision, mission, objectives and strategies explicit in a strategy map before you articulated the metrics, goals and initiatives in the BSC?</i>	-

5	Inadequate IT support	MD	1. Was the BSC initiative communicated to the company's managers and, if so, how?	Evidence from the document: "Snapshot of the current situation and needs for developing a decision support system in Plava Laguna J.S.C."
		Project team	2. How were the required data collected, analyzed, reported and distributed through the company? 3. If there was one, did you use an ERP (Enterprise Resource Planning) system for the BSC or was a new one created for the purpose of the BSC? 4. How much time was needed to bring the BSC to its final shape before the initiative stopped?	
6	Inadequate project team	MD	1. Was implementing the BSC a priority for the team members or was it a "secondary" project for them? 2. Was a team leader selected? 3. What was the reason for that particular person to become the team leader? What was his/her background? What was his/her responsibility? 4. Did the team members represent all areas of the organization that were expected to use the BSC?	-
		Project team	5. Did the team members represent all areas of the organization that were expected to use the BSC? 6. Did team members always have time to participate in the process?	

7	Not involving the whole organization	MD Project team	<ol style="list-style-type: none"> 1. <i>Beside the project team, did other managers and employees sometimes take part in the initiative?</i> 2. <i>Who decided on the measures to be included in the BSC?</i> 3. <i>Were any workshops organized with other managers and employees to review metrics?</i> 	-
8	Inadequate KPIs	Project team	<ol style="list-style-type: none"> 1. <i>How did you select the KPIs?</i> 2. <i>Did you use existing KPIs or did you come up with new ones?</i> 3. <i>Was there a target for each metric?</i> 	Evidence from different documents associated with the BSC implementation of 2002.
9	Lack of planning and communication	MD	<ol style="list-style-type: none"> 1. <i>Did you think of hiring outside consultants? If not, why not?</i> 	-
		Project team	<ol style="list-style-type: none"> 2. <i>Was an implementation timeline planned?</i> 3. <i>Was there a standard procedure to deliver information / communicate</i> 	

4.4. Validity

According to Saunders et al. (2007), validity is concerned with whether the results and findings of a study are really about what they appear to be about. According to Merriam (1995), internal validity in qualitative research asks the question: "Are we observing and measuring what we think we are observing and measuring?" Merriam (1995) argues that reality in qualitative research is constructed, multidimensional, and ever-changing. In these terms, there may be different interpretations of the

reality. According to his findings, there are several strategies which can be employed to ensure that the findings are valid and match reality.

In this research, the following strategies are employed to strengthen internal validity:

1. Triangulation – refers to the use of multiple sources of data or multiple methods to confirm the findings (Merriam, 1995). In these terms, this study meets the strategy of triangulation in that it employs various research methods (case study, interviews, and action research) and additional sources of information from documents related to Plava Laguna's Balanced Scorecard initiative of 2002.
2. Member checks – refers to taking interpretations of data from the study participants back to the people from whom the data were collected in order to check if they are plausible (Merriam, 1995). In this study, the interpretation of data and findings about the barriers which affected the Balanced Scorecard initiative in Plava Laguna in 2002 were discussed with the interview participants. Their suggestions and clarifications were taken into account before writing the final conclusions.

The use of case studies in qualitative research makes it hard to confirm external validity or make generalizations (Saunders et al., 2007). External validity is not the objective of this study. In this context, the findings, results and recommendations of this study cannot be generalized and taken for granted by other companies, researchers or others interested in the topic.

4.5. Reliability

Reliability is seen as the assessment of whether the data collection techniques or analysis procedures yield consistent findings if the research is repeated or if someone else conducts the research (Estraby-Smith et al, 2003, cited by Saunders et al., 2007). Qualitative research on the same case may not have the same outcome if data are collected by different researchers, using different methods at different times. However, if a similar study is performed, using the same

organization as a case study, employing the same research design, and with the same research purpose, the results will be similar. A potential threat is the influence of the researcher. However, the present research was conducted with efforts made to avoid the biasing of results by using data from different documents and through interviews without attempting to influence the respondents.

CHAPTER 5: THE PLAVA LAGUNA J.S.C. – THE CASE STUDY ORGANIZATION

This chapter introduces the case study organization, Plava Laguna J.S.C. The presentation begins with a short overview of the Croatian economy and tourism where Plava Laguna plays a significant role. It is followed by a presentation of the company, its history, organization, business and recent achievements.

5.1. Tourism in Croatia

The Republic of Croatia is situated at the crossroads of Central Europe and the Mediterranean, along the eastern coast of the Adriatic Sea. Croatia covers an area of 56,594 square kilometers with 4,437,460 inhabitants (census of 2001). The surface area of territorial waters is 31,067 square kilometers (Republic of Croatia - Central Bureau of statistics (2009). The official currency is the Kuna (HRK). According to the exchange rate of the Croatian National Bank (2009), HRK 1 is worth about EUR 0.14.

5.1.1. The Croatian economy

Taking advantage of good economic trends in the international market in the period 2000-2007, the achieved average real growth rate of total economic activity in Croatia was 4.5%. The peak was in 2007 with real economic growth of 5.5%. The year 2008 was the start of slowing growth and the beginning of recessionary trends in the Croatian economy (Croatian Chamber of Economy, 2009). According to the data of the Central Bureau of Statistics (CBS), Croatia's real GDP rose by 2.4% over 2008, the lowest rate recorded since 1999. Economic activity slowed continuously throughout the year, with a negative rate of change in GDP recorded in this period,

as suggested by seasonally adjusted data for the third and fourth quarters. In 2008, Croatian GDP reached HRK 342.2 billion or EUR 47.4 billion (Croatian National Bank, 2009).

5.1.2. Croatian Tourism Facts

Croatia has a long-standing tradition of tourism and shows great potential for its development. Tourism is the biggest generator of the Croatian economy. In 2007, international tourism accounted for 36.7% of total exports of goods and services, and 73.2% of total exported services (Croatian National Bank, 2008). According to the data of the Croatian Ministry of Tourism (2009a), in 2008 the revenue of tourism in Croatia amounted to EUR 7.45 billion. Its share of 15.7% in Croatian GDP shows the high dependence of the Croatian economy on tourism.

In 2008, Croatia achieved 57.10 million overnights. Croatian tourism is highly dependent on foreign tourists. They accounted for 84.0% of total overnight stays or 50.63 million overnights, while domestic tourists accounted for just 16.0% or 6.48 million overnights in 2008. In terms of overnight stays, visitors from Germany (21.7%), Slovenia (11.6%), Italy (10.1%), Austria (8.2%), the Czech Republic (5.0%), Poland (4.7%), the Netherlands (4.6%) were the main visitors in 2008. Tourists from these seven countries accounted for almost 70% of the total overnight stays of foreign tourists (Croatian Ministry of Tourism, 2009b). According to CBS data of 2008, Croatia offers 968,610 beds for guest accommodation. The majority is private accommodation with 442,402 registered beds and almost 46% of the share. Campsites accounted for 213,646 beds (22% of total beds) and hotels 117,902 beds (12.2% of total beds). 55.3% of all hotels are represented by three-star facilities, followed by four-star (21.8%) and two-star hotels (20.0%). Five-star hotels represent only 2.8% of the total hotel capacity. Tourists in Croatia primarily stay at hotels. 36.9% of tourists in 2008 stayed in hotels, accounting for 36.7% of overnight stays. After hotels, most of the tourists stay in household rooms, apartments and other forms of private accommodation (22.9% of total tourists and 27.2% of overnights stays) and campsites (17.2% of total tourists and 23.4% of overnights stays) (Croatian Ministry of Tourism, 2009d).

Tourists in Croatia mostly arrive without the mediation of intermediaries. In 2008, 3.9 million tourists chose travel agencies and tour operators to organize their holidays, while 7.36 million tourists came individually by their own arrangements. Almost 95% of all travelers in 2008 entered Croatia by road. Based on the total accommodation capacity and overnights, Istria County is the absolute leader. With a capacity of 263,272 beds, Istria County in 2008 achieved 17.97 million overnights and a share of 31.5% of Croatian tourism (Croatian Ministry of Tourism, 2009d).

5.2. Plava Laguna J.S.C.

The hotel company Plava Laguna plays an important role in Istria's tourism. Plava Laguna operations are located in the vicinity of the city of Poreč on the west coast of the Istrian Peninsula. Poreč is considered by many to be the leading city of Croatian tourism. This is due to its combination of natural beauty, rich cultural heritage, and hard-working business-minded people. Many argue that these inherent values of the Poreč region are the reason why Plava Laguna was established more than fifty years ago in Poreč and not elsewhere (Vukonić, 2007).

5.2.1. The History of Plava Laguna

Plava Laguna J.S.C. was founded in 1957 as a company for catering and tourism. Considered by many to be a pioneer of tourism in Croatia, Plava Laguna has experienced a number of development stages and organizational changes. The beginnings of Plava Laguna are closely connected to the camp established by the French nature lovers' club "Polynesia" on the Molindrio peninsula as "Plava Laguna - Camp Hotel", with a capacity for no more than 800 persons. In the beginning, due to a lack of financial resources, the construction projects were modest. The first built facilities were bungalows located where today the Hotel Laguna Galijot is located, followed by the building of the Bellevue tourist settlement. From the very beginning, Plava Laguna paid great importance to sports and sport-related activities, for which constructions were initiated shortly after. The majority of the built facilities of Plava

Laguna as they are known today were built from 1966 until 1971. In the same period, the development started of the first campsite, the Zelena Laguna campsite. In the period from 1971 until 1976, many organizational changes and integration processes took place, ranging from integration with smaller hotel and catering organizations within the Poreč area and the hotel-tourist company of the town of Novigrad, to integration with the entire agricultural, fisheries, and trade sector of Poreč. In 1987, these large economic systems were joined under the new SOUR “Plava Laguna” (SOUR - *Složena organizacija udruženog rada* (Complex Organization of Associated Labor)). Such an organization lasted until the beginning of the 1990s when SOUR was split up and new independent enterprises were created. One of them was “Laguna Poreč”, a company for catering and tourism, the predecessor of Plava Laguna. The year 1991 was marked by the beginning of the overall process of privatization in the Republic of Croatia, which applied to “Laguna Poreč” as well. The legal basis of Plava Laguna was finally completed in 1996 with the constituting of Plava Laguna, Joint Stock Company for Catering and Tourism, whereby the company also reclaimed the right to its historical name. The following period was characterized by intensive investment activities directed primarily at upgrading the quality of its accommodation capacities. In 2000, after a period under a diversified ownership structure, the Lukšić Group began the process of taking over the company. Soon after, in 2001, the Lukšić Group became the majority owner with 80.3% of shares in ordinary stocks. In 2001, Plava Laguna acquired several companies. The most significant was the acquisition of Hoteli Croatia J.S.C. Cavtat where today it holds a 92.3% share in stocks. From 2003, Plava Laguna has been involved in significant investment activity, primarily directed at restructuring the portfolio of accommodation capacities as four-star facilities. The result is a 30% share of four-star facilities in the total built capacities of the company in 2008 (Vukonić, 2007 and Plava Laguna, 1997).

5.2.2. Operations

In 2007, Plava Laguna marked fifty years of its existence, successful work and development, during which it has constantly enjoyed the leading position in Croatian tourism (Vukonić, 2007). Today, Plava Laguna has a diversified accommodation

capacity structure of 20,994 units. Appendix A shows the Plava Laguna facility portfolio, its capacity and overnights realized in 2008.

In total, Plava Laguna operates in Poreč with 12 hotels, 4 apartment settlements, and 4 campsites. Most of the facilities are concentrated within three resorts: Špadići – Materada, Plava Laguna, and Zelena Laguna. Hotel accommodation accounts for 32.5% of the total capacity, out of which 22.9% is four-star, the largest part, 55.5%, is three-star hotels, and 21.7% of the total hotel capacity relates to Hotel Delfin, the only two-star hotel, with a capacity of 1,478 beds. The quality structure of the apartments is slightly more favorable towards four-star accommodation (57.5%), although the number of beds in apartments makes up only 8.4% of the total number of beds. The biggest contribution (55.7%) in the total capacity of Plava Laguna falls to the campsite business. 94.4% of accommodation capacity in campsites meets three-star requirements. Plava Laguna's main activities concentrate on providing accommodation and other related tourist services. Besides services provided in hotels, apartments and campsites, Plava Laguna provides services to its clients through an additional 150 facilities which are rented to private individuals. Basically, this relates to food and beverages, sports, animation, entertainment, wellness and other services oriented to enriching the overall offer and to providing a full vacation experience for guests.

5.2.3. Plava Laguna's guests

The main tourism generating countries for Plava Laguna are traditionally Western European countries, where guests from Germany, Italy, the Netherlands and Austria, with 1,336,004 overnights, held a 58% share in the total overnights in 2008. Plava Laguna's most important guest group in terms of nationality is Germans. From a total of 2,319,262 overnights in 2008, 26.6% were spent by Germans. The Russian market, also very important for Plava Laguna, alone realized 303,548 overnight stays, with a 13% share in the total structure of overnights. The Russian market has had the highest growth rate in Plava Laguna in the past few years, making Plava Laguna the most desired Croatian vacation destination by Russian guests.

The tourism industry in Croatia shows a highly seasonal character. Tourists choose Croatia mostly as a destination for their summer vacations. Plava Laguna also experiences high seasonality. Namely, in Plava Laguna more than half of its overnight stays occur in July and August. In terms of distribution channels, the majority of overnights are generated through organized distribution channels (agencies and groups). In fixed objects (hotels and apartments), 86% of total overnights in 2008 were realized by guests who came through an organized channel. In campsites the situation was completely the reverse. 87% of overnights in campsites were generated by guests that came individually (data from 2008).

5.2.4. Organizational structure and employment

Plava Laguna is led by a centralized structure headed by the Board consisting of the managing director. There are six departments, each responsible for one area important in the process of delivering a good quality service to Plava Laguna's guests. There are five profit centers, each divided into a number of profit units. Profit units represent different hotels, campsites, apartments, and other services like sports, laundry and horticulture). Profit centers are mainly organized according to the category of the service they provide, e.g. PC Hotels and Apartments 3* is composed of hotels and apartments offering a three-star service. Appendix B shows the complete organizational structure of Plava Laguna. According to the 2008 data, Plava Laguna employed 1,054 employees. The highly seasonal character means that besides 647 permanent staff, there are 407 seasonal employees. Although Poreč and its surroundings constitute a relatively small labor force market, the majority of employees are from this region. This relates to the labor force employed in operations (cooks, waiters, maids, receptionists, etc.), employees in the administration, and also in management. Employees are motivated by the fact that higher positions are filled by those who prove through their work and efforts their ability to assume responsibility and develop new skills. For example, outstanding waiters may become restaurant managers, food and beverage managers, or even directors of profit units – hotels. The company operates a training program. During the one-year program, new graduate candidates can learn through working and get to know the entire working process of the company. Following the program,

candidates are assigned to tasks they have more affinity with and in accordance with the company's needs. The program has proved to be very successful, shown by the fact that the current managing director was one of the first successful trainees.

5.2.5. Recent achievements

The business activity and development of Plava Laguna is based on ecological principles and sustainable development. The company invests great efforts in permanently improving the environment as an important component of its overall tourism product. Besides the continuous nurturing, enriching and protecting of green, flowering and other areas managed by the company, Plava Laguna implements new technologies in order to reduce pollution and the quantity of waste, at the same time achieving savings, too. Some of Plava Laguna's activities regularly performed in these terms are:

- filtering waste waters and strictly controlling the use of chemicals;
- collecting and disposing of waste oils;
- saving energy by using energy-saving devices and lighting, as well as by educating employees and informing guests about the rational use of energy;
- saving drinking water by installing perlators and using new technologies in watering green areas;
- waste separation management;
- care for the preservation of the coast and monitoring the quality of the sea.

The quality of the sea and the coastline, informing guests and educating them about the preservation of the environment, and security and quality of service are relevant benchmarks for acquiring the "Blue Flag" award for beaches and marinas. This standard is granted by the European Foundation for Environmental Education. Plava Laguna has been awarded ten "Blue Flags" which bear witness to the good results the company is achieving in this field.

By permanently improving its offer and adjusting it to the needs of the increasingly demanding tourist market, Plava Laguna is achieving enviable tangible and, above

all, financial results and has taken the position of leader in the Croatian tourism industry. In 2001, among the first 400 Croatian companies ranked according to their revenue, Plava Laguna was in 120th place, and was first among the tourism companies. In terms of net profits, Plava Laguna was ranked in 26th place. The success of Plava Laguna and its managers has been recognized several times. In 2001, the former President of the Board of Plava Laguna was voted best manager in Croatia. Further, in the period between 1997 and 2003, an expert panel comprising representatives of brokerage firms, investment funds and independent financial analysts proclaimed Plava Laguna shares as the “Golden Share of the Year” (Vukonić, 2007).

The company ended 2008 with HRK 61.7 million net income, placing Plava Laguna at the very top of the tourism sector in Croatia. In 2008, the company achieved revenues of HRK 446.2 million (3% or HRK 11.2 million higher than the previous year). In the same year, total expenses were HRK 373.7 million (at the same level as the year before). Operating revenues came to HRK 413.7 million, with a share of 93% in total revenues. Earnings before interest, taxes, depreciation and amortization (EBITDA) reached HRK 141.8 million (4% more than in 2007). The mentioned business activity took place in circumstances of very stable balance sheet positions, which is confirmed by the balance sheet value of HRK 1.4 billion, and a 96% share of long-term assets. Financial stability is one of the basic characteristics of the company and one of the reasons for its development. Capital and reserves of HRK 1.4 billion, with a share of almost 97% in the balance sheet, indicate an exceptionally high degree of financial stability. The company’s liquidity ratio of 1.3%, a 3.3% debt to equity ratio, and a 3.2% share of total debt in liabilities in the balance sheet confirm the company’s stability and provide significant potential for further development (Plava Laguna, 2009).

CHAPTER 6: CASE STUDY RESULTS

This chapter presents the data collected and the findings of the study. The findings are presented in respect of the Balanced Scorecard implementation barriers discussed in Chapter 3 so that the role of each barrier in the case study may be defined. In total, two interviews were conducted.

To gain an overview of the BSC initiative, the first interview was conducted with the managing director who was the closest manager to the former director in 2002. He was also a member of the team responsible for running the BSC initiative. The interview took place in his office in Plava Laguna's headquarters and lasted for 42 minutes.

The second interview (focus group) was conducted with the members of the BSC team still present in the company today. In total, six people participated in the focus group. The meeting with the focus group was conducted in the meeting room of Plava Laguna's headquarters and lasted for 54 minutes. The purpose of the second interview was to discover additional details of the BSC initiative and particularly the members' views of the problems encountered.

Besides data collected through interviews, data from various documents related to the BSC initiative are presented for the purpose of increasing the quality and reliability of the findings.

6.1. Role of Barrier 1: Limited understanding of what the Balanced Scorecard is

The Balanced Scorecard initiative in Plava Laguna started at the beginning of 2002. The first evidence of motivation to start the initiative is found in the Minutes of the Supervisory Board Meeting conducted in March 2002. The presentation of the

president of the Plava Laguna’s Supervisory Board gave some insights into the main aim of introducing the Balanced Scorecard in Plava Laguna. The idea was to develop indicators in four perspectives in order to follow the company performances and make them comparable with other firms. He added that the company should not focus on and develop only financial metrics but also other metrics important for company development and for its success. The goal of Plava Laguna was not only to be the most successful Croatian company in the field of tourism but it should aim to be the most successful company in the whole of the Croatian economy. In these terms, the role of the Balanced Scorecard and its metrics would be to find opportunities for further growth and to be the ground for business decisions.

Shortly after, in a Supervisory Board Meeting in May 2002, there was a presentation of the Balanced Scorecard concept and a first draft of the project which would aim to implement the Balanced Scorecard in Plava Laguna. The presentation was supported by the Supervisory Board. In the same Minutes there is a record of a decision taken by the President of the Board of Plava Laguna on the adoption of the Balanced Scorecard. The Balanced Scorecard would be adopted as a new reporting method supporting the management to improve business results and ensure long-term growth and development.

Interview	
Type of Interview	Participants
Individual	Managing director

Why was the initiative started?

According to the managing director, after the decision to implement the BSC was made by the Supervisory Board, both the Supervisory Board and the Board of Directors perceived the BSC as a monitoring and reporting tool. The managing director said that the initiative of implementing the BSC was never perceived as a powerful management tool or a tool to help achieve the company outcomes, but rather as a tool for reporting historical data in a different way without many pretensions to affect future relationships. The main focus was on monitoring and measuring Plava Laguna’s performances: *“let’s take a look at the company performances from some additional perspectives”*. Accordingly, the initiative did not

include the company vision, mission, objectives and the related strategy to achieve them. According to the managing director, the main reason for such an understanding of the Balanced Scorecard was the limited knowledge of the concept. As it was to serve as an additional view of company performances, shortly after its implementation or, better said, after the attempt to implement it, the BSC was abandoned. The BSC took the shape of a reporting tool. Since the management believed that there was no need for an additional tool for reporting performances, it abandoned the Balanced Scorecard initiative, and continued to report performances as it had always done. The managing director found the limited understanding and, accordingly, the motivation for implementing the BSC in Plava Laguna the main reasons for its failure.

6.2. Role of Barrier 2: Lack of executive sponsorship

According to the Minutes of the Supervisory Board meeting, both of March and May 2002, it is evident that the Balanced Scorecard initiative emerged from an idea of the president of Plava Laguna's Supervisory Board. The idea for the BSC was further recognized both by the Supervisory Board and by the Board of Directors of Plava Laguna. There was a decision on the adoption of the BSC as a reporting method taken by the President of the Board. It says that according to the conclusion of the Supervisory Board, Plava Laguna would start the initiative of implementing the BSC in Plava Laguna. Accordingly, one of the first duties was to nominate the project team that would have responsibility for implementing the BSC.

Interview	
Type of Interview	Participants
Individual	Managing director

1. *Who started the initiative to build the BSC in Plava Laguna?*
2. *After it was decided to start with the BSC implementation, was there support from the top of the firm (the managing director) and was the BSC initiative placed as one of the priorities of the firm in that period?*

The initiative for the implementation of the Balanced Scorecard came from the former president of the Supervisory Board of Plava Laguna. According to the managing director, it is hard to say whether it was one of the priorities of the firm at that time. In the first place, this was because of the poor understanding of the BSC concept. Anyway, the Board supported and took the initiative seriously, at least at the beginning: in selecting the project team and collecting the needed data. However, after presenting the first draft of the BSC, something changed. Realizing that the attempt to implement a new (additional) monitoring tool was producing mountains of additional paper, the initial enthusiasm quickly disappeared. The Management and Supervisory boards noticed that the data introduced in the BSC were somehow and somewhere already available. In this way, the BSC lost its importance and gradually disappeared. Even the former director, who usually behaved as a “change enthusiast”, was concerned about the usefulness of the BSC when it was presented as an additional monitoring tool.

Interview	
Type of Interview	Participants
Focus group	Project team

After it was decided to start with the BSC implementation, was there support from the top of the firm (the managing director) and was the BSC initiative placed as one of the priorities of the firm in that period?

The members of the project team stated that the decision taken by the Supervisory Board to implement the BSC was supported by the Board. According to them, it is hard to say whether the BSC initiative was placed as one of the priorities. The level of knowledge about the BSC was very low and the initiative was perceived rather as: “let’s try to do something and see what we get...”. It was always referred to as a tool for monitoring performances. When the BSC took its first shape, the members noticed that the top of the firm was increasingly losing its determination to proceed with the development.

6.3. Role of Barrier 3: Lack of Balanced Scorecard education and training

Interview	
Type of Interview	Participants
Individual	Managing director

1. *How did you learn about the BSC?*
2. *Did team members have some previous experience and knowledge about the BSC?*
3. *Did team members attend seminars, training sessions or some other kind of education about the BSC?*

In 2002, the Balanced Scorecard term was a novelty in Plava Laguna. In Croatian practice, the level of knowledge about the Balanced Scorecard was very low. There was very little evidence of the use of the tool and there were few opportunities to learn anything about its implementation and use. In 2002, Plava Laguna did not do much to learn about the BSC. Although no one in the company had any experience of the BSC, no seminars or training courses were organized to learn more about the concept. The only sources of information were two Kaplan and Norton books purchased and shared by the team members.

Interview	
Type of Interview	Participants
Focus group	Project team

1. *How did you learn about the BSC?*
2. *Did team members have some previous experience and knowledge about the BSC?*
3. *Did team members attend seminars, training sessions or some other kind of education about the BSC?*

In the project team there was only one member who had previous experience of the BSC, but only as a user and not as a developer. The other members had only heard of the concept. They all agreed that no form of education was arranged. Copies of the Kaplan and Norton books and some other resources found individually were the only sources of learning. The ambition to implement the Balanced Scorecard did not

die completely in 2002. In fact, in 2004 two team members attended two seminars related to the BSC concept.

6.4. Role of Barrier 4: The strategy is not formulated in a strategy map

Interview	
Type of Interview	Participants
Individual	Managing director

Did you spend considerable time making the vision, mission, objectives and strategies explicit in a strategy map before you articulated the metrics, goals and initiatives in the BSC?

The core of the Balanced Scorecard was not the company vision, mission, objectives or, accordingly, the strategy to accomplish them. A strategy map was not included in the Balanced Scorecard. Rather than to present a picture of the strategy and the future moves of the company, the idea of the scorecard was, by showing historical results with some new metrics, to learn from them, and act in the future.

Interview	
Type of Interview	Participants
Focus group	Project team

Did you spend considerable time making the vision, mission, objectives and strategies explicit in a strategy map before you articulated the metrics, goals and initiatives in the BSC?

According to the project team members, the strategy was not an issue in the BSC project of 2002, so a strategy map was not introduced as a core in the concept. As it was not perceived as a strategic management tool, the starting point was not the strategy but the metrics. Accordingly, initiatives were not designed to meet objectives. Targets were not stipulated in the BSC spirit, but rather as some kinds of past achievements compared with budget expectations. Every member of the team was responsible for developing metrics related to the perspective for which he had responsibility. With regard to the strategy, the project team concluded that in reality

the company strategy was not broadly known at that time. The top of the firm had “something” to meet the objectives, but this was hardly articulated or shared with the rest of the firm.

6.5. Role of Barrier 5: Inadequate IT support

From the evidence of the document “Snapshot of the current situation and needs for developing a decision and support system in Plava Laguna J.S.C”, it can be seen that Plava Laguna did not have a real Enterprise Resource Planning system but rather two separate information systems, one financial-accounting and one for hotel operations, and some additional subsystems and smaller applications based on *Oracle* or *Access*.

Beside these systems and subsystems, a significant amount of data was exported in unlinked *Excel* forms. *Excel* was also used for managing a number of reports and analyses.

Data were collected not only from the IT database but also through the manual import for those segments which were not covered by the two existing IT systems. Although the report system was full of information, it had certain defects which are listed below:

- *Insufficient availability of information* – In many cases, data were not available to all potential users. To retrieve data, users very often needed help from IT people.
- *Lack of comparability* – Many problems occurred when there was a need to compare data created in several unlinked systems.
- *Rigidity* – Some data were available only in summary reports. When there was a request for some analytical review, a large amount of “hand work” was necessary to build a report to match the request.
- *Time-consuming with a threat of errors* – Preparing reports from data stored in different *Excel* sheets required a huge amount of time and effort. This was

especially the case for units like Planning and Analysis, Informatics, and the Sales Department from which a huge amount of reports was usually required. In addition, in rewriting data from one report or sheet to another, there was always the risk of error.

Interview	
Type of Interview	Participants
Individual	Managing director

Was the BSC initiative communicated to the company's managers and, if so, how?

The BSC initiative did not have as its starting point the company mission and the strategy to accomplish the company's objectives and those of specific departments according to BSC logic. In the view of the director, there was no need to broaden the initiative to other managers and to lower levels, but rather to stick to the project team and see what they came up with.

Interview	
Type of Interview	Participants
Focus group	Project team

1. *How were required data collected, analyzed, reported and distributed throughout the company?*
2. *If there was one, did you use an existing ERP (Enterprise Resource Planning) system for the BSC or was a new one created for the purpose of the BSC?*
3. *How much time was needed to bring the BSC to its final shape before the initiative stopped?*

Data were collected through the existing information system, but a great amount of data was also retrieved manually using *Excel* sheets. In reality, a real ERP system had not been developed in the company, which is the same problem affecting the company today. According to the project team members, the undeveloped IT hampered the BSC from its beginning. They had a great deal of problems just to collect data from the entire company. It is estimated that three weeks were needed only for completing the first draft of the BSC project which was presented at the Supervisory Board Meeting in May 2002. After this first draft was presented, there is no evidence of any further significant improvements related to the BSC. In any case,

the project team did not stop devoting time to the BSC initiative. In 2004, two team members attended two seminars related to the BSC concept. On a few occasions in 2005, some team members joined together to discuss the possibilities of making some improvements to the work done in 2002.

There was no additional BSC software. The idea was to implement a new system, a Business Intelligence and Data Warehousing system, which would be suitable for the BSC philosophy. For this purpose, three tenders were organized, and after each one the offers were analyzed, but, unfortunately, nothing was decided. Until today, this kind of system has never been implemented in Plava Laguna.

6.6. Role of Barrier 6: Inadequate project team

Interview	
Type of Interview	Participants
Individual	Managing director

1. *Was implementing the BSC a priority for the team members or was it a “secondary” project for them?*
2. *Was a team leader selected?*
3. *What was the reason for that particular person to become the team leader? What was his/her background? What was his responsibility?*
4. *Did the team members represent all areas of the organization that were expected to use the BSC?*

The BSC project in Plava Laguna was based on enthusiasm rather than as something with a defined framework. The project team had no real reference point and the final goal was not very clear. In such circumstances, it was decided that the project team would try to develop something and after some time it would be seen what they had come up with. According to the managing director, there were no foundations to completely separate people from their everyday work and assign them to a project in which no one was an expert.

As the core of the Balanced Scorecard was not the company vision, mission, or the strategy, and as its intention was not to meet objectives but rather to monitor and

report performances, the selection of the project team members was made accordingly. In these terms, the team was composed of people from the “back office” rather than of people whose everyday responsibilities were related to the duties in one of the BSC perspectives. Therefore, not all Plava Laguna’s departments were represented. For example, people from the Purchase and Property Management Department or the Operations Department were not included, while from the Development Department there was only one representative from the Informatics Unit. The other members were experts in the financial or budgeting field (six of them), and one from the Marketing and Sales Department. The team leader or, in the words of the managing director, the coordinator, was a person from the Planning and Analysis Unit with affinities in finance but with no experience of the Balanced Scorecard and probably one of the most “enthusiastic”. His main duties were mostly related to sharing materials, scheduling meetings, linking members, and communicating with the Board.

Interview	
Type of Interview	Participants
Focus group	Project team

1. *Did the team members represent all areas of the organization that were expected to use the BSC?*
2. *Did team members always have time to participate in the process?*

The team members had their regular duties and the project was conducted alongside these duties. As it did not have a predefined framework, it was the project that adapted to the time available, and not the other way round. The Balanced Scorecard which would report all the important performances in four perspectives would include all the important areas of Plava Laguna, but the representatives working on it were not from all the company’s areas.

6.7. Role of Barrier 7: Not involving the whole organization

Interview	
Type of Interview	Participants
Individual	Managing director

1. *Beside the project team, did other managers and employees sometimes take part in the initiative?*
2. *Who decided on the measures to be included in the BSC?*
3. *Were any workshops organized with other managers and employees to review metrics?*

The people involved in the initiative were always members of the project team. The members of the project team, depending on the perspective for which they had responsibility, attempted to create the measures. The created measures were to be further presented to the rest of the firm, but this never happened.

Interview	
Type of Interview	Participants
Focus group	Project team

1. *Beside the project team, did other managers and employees sometimes take part in the initiative?*
2. *Who decided on the measures to be included in the BSC?*
3. *Were any workshops organized with other managers and employees to review metrics?*

All project team members said that the level of communication regarding the BSC initiative was not at an enviable level. Everything stayed mostly within the project team and the results were presented to the Board and the Supervisory Board. The same was true for the measures created. There was only one good example which came from the team member of the Planning and Analysis Unit who involved lower level employees in the creation and discussion of metrics. They were rather self-taught in creating measures. When the point in the initiative came where a substantial number of measures were introduced in the Scorecard and when it seemed that these should be discussed with the rest of the firm, there was no support from the top of the firm anymore.

6.8. Role of Barrier 8: Inadequate Key Performance Indicators (KPIs)

Evidence from documents associated with the BSC implementation in 2002 shows that indicators were introduced in the BSC for different individual segments of Plava Laguna's businesses which would be displayed monthly, quarterly, or annually. They would be compared with the previous year, the budget, and benchmarked with similar tourism companies in the region of Istria and/or with international tourism companies. Furthermore, indicators would be displayed at three company levels: company level, at the level of individual types of business (hotel, apartments, and campsites), and profit units. There were between six and nine measures per perspective and they were not linked. Furthermore, there was no visible distinction between performance outcomes and performance drivers.

Interview	
Type of Interview	Participants
Focus group	Project team

1. *How did you select the KPIs?*
2. *Did you use existing KPIs or did you come up with new ones?*
3. *Was there a target for each metric?*

In the Balanced Scorecard many existing metrics were incorporated. New metrics also appeared. The new metrics were created as a result of some kind of benchmarking or best practices proposed by the team members. The targets were not stipulated in the BSC spirit but rather as past achievements compared with budget expectations.

6.9. Role of Barrier 9: Lack of planning and communication

Interview	
Type of Interview	Participants
Individual	Managing director

Did you think of hiring some outside consultants? If not, why not?

According to the managing director, the company did not think of hiring an outside subject for the purpose of implementing the BSC. The only possible reason for not hiring consultants may be found in his reasoning: *“Sometimes, when you know little or nothing about something, you think that you know a lot”*.

Interview	
Type of Interview	Participants
Focus group	Project team

1. *Was an implementation timeline planned?*
2. *Was there a standard procedure to deliver information / communicate?*

In the 2002 initiative, there was no strictly defined timeline. The creation of the BSC was organized without a predefined schedule and activities were planned rather *ad hoc*. Team members came together usually after they had developed something - measures or some new ideas. Besides, within the project team, the communication was directed only towards the Board and in the beginning towards the Supervisory Board.

CHAPTER 7: DISCUSSION AND RECOMMENDATIONS

In this chapter, the findings presented in Chapter 6 are critically analyzed. Chapter 7 aims to define how each Balanced Scorecard implementation barrier harmed the BSC initiative in Plava Laguna. Recommendations for a future BSC initiative are proposed in order to overcome the defined barriers to implementation.

7.1. Analysis of Barrier 1: Limited understanding what the BSC is

The limited understanding and knowledge of the Balanced Scorecard led the initiative in the wrong direction at the very start of its implementation. The Balanced Scorecard in Plava Laguna represented somehow the first generation of its evolution - a performance measurement tool. Besides measuring or, better said, reporting, performances with financial measures, the goal was to introduce additional measures in three perspectives important for company success: customers, internal processes, and learning and growth. Even if the Balanced Scorecard used in this way will never be maximally employed, as a performance measurement tool it can still be useful. The problem with Plava Laguna's Scorecard was that it was planned as an additional monitoring system with no links between perspectives. Consequently, the Balanced Scorecard was a performance monitoring system which combined many measures which did not relate to each other. The management, realizing that there was no benefit in using a new tool requiring additional efforts and resources just to monitor and report performance, abandoned the initiative.

Proposal for a future BSC initiative in Plava Laguna:

To fully benefit from the Balanced Scorecard, it should be perceived as a strategic management tool. As the evidence from 2002 shows, there is no need to monitor performance, but rather to enhance the opportunities to create new relations. The Balanced Scorecard should translate the strategies in order to meet the objectives grounded in the company mission and its vision. The four perspectives, and the

objectives contained in them, should be linked together in a series of cause-and-effect relationships. If linkages, objectives and the initiatives created to meet them are clear enough and understood by everyone in Plava Laguna, the Balanced Scorecard would boost new behaviors and communication. The main goal of the Balanced Scorecard should be to make people in different Plava Laguna departments and other organizational units understand their contribution to meeting the objectives within the company and across four perspectives.

7.2. Analysis of Barrier 2: Lack of executive sponsorship

The initiative to implement the Balanced Scorecard in Plava Laguna was initiated by the highest decision-making body in Plava Laguna, the Supervisory Board. The decision to proceed with the implementation was further supported by the Board of Directors. However, lack of knowledge caused the gradual loss of confidence in the concept and, accordingly, the support of the company leaders. The project team, affected by these losses, lost its initial enthusiasm. This little commitment toward the Balanced Scorecard by the top of the firm resulted in the project team losing motivation. The members of the project team perceived the BSC as an initiative which was no longer worth much of their time. As time went by, they made fewer and fewer efforts to implement the BSC, and the result is known.

Proposal for a future BSC initiative in Plava Laguna:

To promote the Balanced Scorecard as a successful concept and not as a potential “faddish” initiative of the managers, the Plava Laguna director should be fully committed to the initiative. Support should be long term, last throughout the implementation process, and continue afterwards to ensure its continuous use. The managing director should be one of the initiators of the initiative. He should also transmit within the company all the benefits the BSC will bring. He should convey his passion for the strategy created to meet the company’s objectives. Implementing the BSC is not a simple process. Many potential difficulties and obstacles may harm the initiative, but the leaders of the firm should have confidence in it and support it,

especially when things go wrong. Trust in the BSC and belief in its importance should be transmitted in order to gain the acceptance of the entire company. Obviously, the managing director should not be alone in promoting the BSC. He must find allies in all Plava Laguna departments and from profit center directors. In this way, a strong net of sponsorship will be created among the firm which is likely to lead to success.

7.3. Analysis of Barrier 3: Lack of Balanced Scorecard education and training

Both the managing director and the project team identified the lack of knowledge as the most important reason for the failure of the BSC initiative in Plava Laguna. Indeed, the problems and difficulties encountered could have resulted from the limited knowledge of the BSC evident in the company. The absence of thorough understanding of the BSC and its characteristics harmed the initiative from its beginning. The top of the firm and the people in charge of implementing the BSC in Plava Laguna did not understand its essence as a tool of management strategy. Due to this lack of basic knowledge, the company never maximally employed the concept or gained the benefits that could be derived from it. The only information about the BSC they received was through the Kaplan and Norton books. A theoretical background is recommended, but this can only be a starting point. To implement the BSC, much more knowledge is needed, both of the Scorecard itself as well as of Plava Laguna, its vision, mission, values, strategy and the organization necessary to accomplish them.

Proposal for a future BSC initiative in Plava Laguna:

All money invested in BSC education will be worthwhile if the BSC ultimately works. The Balanced Scorecard will contribute to the execution of the strategy through new behaviors, communication and cooperation. The goal is for everyone in the organization to understand the BSC. Of course, in the beginning, this will not be possible. It is not necessary, and is even unrealistic, to expect that more than 1,000

employees can be included in the BSC education process in the implementation phase. The project team, the managing director, and managers in charge of all departments and profit centers should know the BSC in detail. In this way, the whole company will gradually learn from them, and the degree of the adoption will be higher owing to their influence in all important Plava Laguna processes. The learning process may include different resources. Copies of books and articles about the BSC topic will certainly be a good starting point to become prepared. Two to three project team members should be sent on comprehensive BSC training courses. They will later share their acquired knowledge with other team members and organize internal BSC training in Plava Laguna. Hiring external consultants could be a good option. It would be important for them to be considered only as facilitators during the implementation process. They may provide hints related to BSC design, software, and other technical issues. The essence of the Balanced Scorecard lies in the company strategy and other data related to its execution. This can only be provided from inside the company, from the people who participate in setting the strategy and who are responsible for its execution.

7.4. Analysis of Barrier 4: The strategy is not formulated in a strategy map

The strategy was not the starting point for the BSC initiative in Plava Laguna in 2002. The perception of the BSC as a monitoring rather than a strategic management tool made the people involved concentrate more on how to present achievements rather than on how to leverage them. The concern was on developing metrics without the strategy behind them. In such circumstances, the metrics were developed without a strong link to logically connect them. When team members, isolated in their offices, were developing the metrics for the assigned perspective, they missed the opportunity to find out how each metric would relate to others. Without a chain of cause-and-effect relationships created by means of a strategy map, the selected measures were merely a batch of ordinary measures with no potential to contribute to future relationships. The absence of a strategy map made the selection of metrics a rather confused affair with little sense. This was more of a trial than a

comprehensive initiative. Without targets and initiatives for achieving them, the Balanced Scorecard was a regular reporting statement showing historical results. The BSC, developed in such a manner, missed the opportunity to articulate and communicate the strategy for which there was greater need than a new tool for monitoring performance.

Proposal for a future BSC initiative in Plava Laguna:

As the Balanced Scorecard should be perceived as a tool to translate the company strategy, a strategy map should be incorporated in it to explain all important relationships needed to execute the strategy. The strategy map is a “must-have” in any future Plava Laguna BSC initiative. This will allow people to recognize all the important factors needed to set a strategy focused on achieving objectives. It is important for a strategy map to be the result of the collective work of people responsible for executing the strategy and achieving the objectives. The strategy should be the basis for developing KPIs. Only if the KPIs are developed following the logic of the strategy will people understand the relationship of the incorporated metrics. They will understand how their work affects the work of other people in different departments and, ultimately, the execution of the strategy. For example, employees in the Development Department would understand the consequences of the late completion of construction work in a hotel where guests have already been booked in. Understanding this kind of logic and recognizing the importance of their work in achieving company objectives will make employees feel more responsible and accountable. As the strategy represents a perception of future movements, so the drawing of the map should be creative work organized in workshop sessions. In this way, there would be an opportunity to take advantages of people’s ideas and at the same time enhance a state of collectivity where all would behave as a united body.

7.5. Analysis of Barrier 5: Inadequate IT support

As a monitoring performance tool which Plava Laguna was attempting to build, the BSC necessitated a large amount of data. Four perspectives demanded timely and reliable data from many Plava Laguna areas. The project team found the process of retrieving data extremely exhausting and time consuming. Most of the data could not be retrieved automatically which necessitated a great amount of “copy-paste” work to create additional reports. These shortcomings made the BSC initiative very unpopular, as is the case with any other process where the collection of data requires more time than that for analyzing and making decisions based on them. In this first phase of its development, it was evident that with the existing information system there were no chances of building such a tool that required a vast amount of timely and reliable data. The project team had already encountered the first big obstacle in the first step where information had to be entered. Communication about the Scorecard occurred only within the project team in forms of printed materials and reports. It was very hard to imagine that these means of communication would be enough if the BSC was to be an initiative extended throughout the whole organization. According to the project team, the absence of a good IT solution, together with the lack of BSC knowledge, was the biggest problem which halted the initiative.

Proposal for a future BSC initiative in Plava Laguna:

Data for the Balanced Scorecard reside in a number of different places in Plava Laguna. This relates to financial data, data on customers, employees, suppliers, and other data scattered throughout the company. Believing that such an amount of data could be retrieved manually is at the very least unrealistic. As was the case in the past, people in Plava Laguna would be employed mostly in collecting data and creating reports rather than in analyzing them and producing new ideas and solutions. For this reason, a precondition for the BSC initiative is implementing a data warehousing system which would ensure the timely availability of reliable data (no more “copy paste” with risks of error). A data warehousing system is only the first must-have in the complex organization of Plava Laguna. Building a BSC is a process which requires the participation of many people. They all need data to define and link

measures, set targets, action plans, and finally to monitor performances and react if needed. In order to make this possible, besides a warehousing system, additional software should be provided (or internally developed). This software should be equipped with tools to draw up the strategy, connecting the vision, mission and objectives, and to define the measures and initiatives to achieve the objectives. The software should be very user friendly and flexible enough to ensure that everyone can understand the Balanced Scorecard and make use of it. People must easily follow the Scorecard on their desktops, to see what is happening in the company and have the opportunity to insert notes and comments. In this way, the BSC will become a knowledge platform to communicate in a simple and open manner. If this is achieved, all software expenses would pay off.

7.6. Analysis of Barrier 6: Inadequate project team

After the decision to implement the BSC was taken by the top of the firm, one of the first steps was to form the team to lead the implementation. When selecting team members, more attention was devoted to enthusiasm and people's possible affinities with the Balanced Scorecard than to what was really required. This was evident in the sense that those who joined the team were either relatively young, looking for novelties but with not much responsibility in the department where they worked, or skilled and experienced employees who were working on perspectives that were not related to the domains in which they usually operated. The team leader, as the director observed, was more of a coordinator of activities than a real leader who could show the way to other members. He was not skilled in the BSC or knowledgeable enough to convince the rest of the team and later the rest of the company. Regardless of the fact that the main concern was on monitoring performances, it was a mistake for not all the departments and profit centers to be included in the process. The importance of including representatives of all areas of the company was not recognized. There is no individual in the organization that holds more information or knows the needs of the unit better than someone who actually works there. Time is generally an issue in every project, especially if the project is not placed as a priority for team members, as was the case in Plava

Laguna. Everyday duties harmed the BSC initiative because team members devoted less and less time to the BSC initiative when they realized that it was not sufficiently worthwhile and that it was more productive to stay focused on their usual work.

Proposal for a future BSC initiative in Plava Laguna:

The Balanced Scorecard is a management concept which requires a deep and wide knowledge of the organization in which it is planned to be implemented. A high quality tourism product depends greatly on the human factor. Plava Laguna's success could to a large extent be attributed to its management and employees. Their accumulated knowledge and experience should be maximally employed in the Balanced Scorecard initiative. The team selected by the managing director should include all department and profit center managers, or at least people who are very close to them. They would work on the initial company Scorecard. This will make them learn about the importance of the BSC and later they will be able to transfer this knowledge to lower levels in their departments. This means that all the people that "count" in the firm must be present when discussion about the strategy starts. The time devoted to the Balanced Scorecard must never be an issue, since what could be more important than shaping the company strategy? The team leader must be a person very close to the managing director. The team leader should be ready to learn as much as possible about the BSC before the implementation starts, share materials with others, and communicate and cooperate with the whole company. The implementation process would require the full-time engagement of the team leader.

7.7. Analysis of Barrier 7: Not involving the whole organization

Awareness of the BSC in 2002 was very low. In an attempt to collect evidence about the BSC initiative, the researcher approached many colleagues who were curious about the purpose of this study. On one occasion, discussing the study issues with two Plava Laguna managers (middle and low level) employed in the company in 2002, the researcher perceived their lack of knowledge of the BSC. The only thing they remember was their colleague (actually the project team leader) walking around the company with one of the Kaplan and Norton books. The Balanced Scorecard

initiative in Plava Laguna was rather an arbitrary top-down initiative, where the top on this occasion was the project team. Some of the team members argue that it was not possible to include more people in the initiative. This is probably true, but the opinion of the author is that this could only be applied to the early stage of the project when the level of knowledge was low and when it would have been “nonsense” to include more people and make for even more confusion. Afterwards, when the team had already come up with “something”, not disclosing it to the rest of the firm, or at least with higher and middle managers, meant that the project team lost the opportunity to obtain feedback on the work done. The team did not have the chance to see if the selected measures would really matter in practice and if they would measure the most important company performances in four perspectives.

Proposal for a future BSC initiative in Plava Laguna:

The strategy of Plava Laguna is composed of several segments scattered in different company areas. To meet the objectives, all areas must completely understand their role in the execution of the strategy, everyone must understand what is expected, and when and how to do it. The Balanced Scorecard can help in this only if it is present in all company areas. Plava Laguna should approach the BSC initiative starting with the company Scorecard. The core strategy should be depicted in it in four perspectives. The core Scorecard should be designed by the managing director and all high level managers from all departments and profit centers. From this Scorecard, all other Scorecards will be derived by cascading the core Scorecard down into the organization. As many people as possible should be gradually involved in order to give all employees the opportunity to demonstrate how their daily activities contribute to the company strategy. The implementation of the Balanced Scorecard would go deep into the organization in accordance with the needs. This means that where there is a need to discuss the strategy individually with employees, an individual Scorecard would be created for each of them. Some employees have rather independent tasks and their performances should be tracked in this way. For example, sales associates in the Sales Department would ultimately have their individual Scorecard which shows their goals, the measures to track performance, and action plans. For units where the goal is at a group level, the cascading process would not go so deeply. For example, this could be the case of a

hotel restaurant where guest satisfaction is achieved by the collective work of all employees.

7.8. Analysis of Barrier 8: Inadequate Key Performance Indicators (KPIs)

The metrics introduced in the Plava Laguna BSC were not BSC KPIs in their essence. Although they were divided into four perspectives and that some external measures were also present, the logic of how they were included in the BSC did not match the BSC philosophy. The most important existing metrics, usually utilized by the company to track performances, were merely copied in the new tool. New metrics were the result of some investigation made by project members of various sources and of the metrics used by other hotels in the region or benchmark hotel companies. The thought process was more like: *“this could work for Plava Laguna”*, but without any real point of reference which would reasonably justify the inclusion of the selected measures. Furthermore, there was no distinction between the performance objectives and the performance drivers. The fact that the company vision, mission, and strategy were not used as a starting point for developing the measures made it difficult to recognize which were the most important for company success. This resulted in an excessive number of measures, and it is hard to believe that they were all *key*.

Proposal for a future BSC initiative in Plava Laguna:

The Balanced Scorecard should provide Plava Laguna’s managers with the means to translate strategic intention into action. This involves developing a strategy map to depict the strategy. Then, the strategy map should be used to develop key performance indicators as a cause-and-effect relationship of the strategy. The implementation of the strategy involves not only monitoring the KPIs, since it is more important to include targets and, accordingly, activities and related behaviors to meet the targets. This means that each strategic objective would have one or more performance drivers with a description of all the related activities to meet the set

targets. Defining KPIs must be seen as excellent training where the people involved should define what really matters in their work in order to contribute to the execution of the company strategy. The people who should participate in the creation of the metrics are those whose performance it is planned to measure. Doing so, they will understand the logic behind each metric. This is much more important than monitoring people's performances by imposed measures which they do not really understand. The focus should not be just on meeting figures, but rather enhancing communication, boosting new behaviors, cooperation, and people's creativity. As Plava Laguna's environment and goals are constantly changing, so the BSC should follow these changes. In these terms, KPIs must be adapted in order to follow the strategy for its successful execution.

7.9. Analysis of Barrier 9: Lack of planning and communication

In the initiative of 2002, there was no evidence of a predefined plan for the implementation of the BSC. Except for assigning people with perspectives for which they would develop measures, nothing else was formally planned. There was no timeline showing activities, people's responsibilities in detail, the availability of resources, or the deadlines for each activity. The absence of such a formalized plan diminished people's perception of the importance of the initiative and lowered their responsibility for it. Not planning the activities in advance made people rather confused about what was expected of them, and the final goal was quite insecure.

Communication about the initiative was restricted to a small group of people. The absence of a standard procedure for delivering information raised the risk of not delivering the same amount of information at the same time to everyone, which may have discredited some team members.

Proposal for a future BSC initiative in Plava Laguna:

In order to feel the importance of the BSC initiative and make people stay focused, the Balanced Scorecard needs a well-defined plan showing all the important steps

needed to implement and keep the BSC alive in Plava Laguna. The BSC plan should be confirmed by the managing director in order to underline the seriousness of the initiative and the importance of all the defined steps. The plan should include all responsibilities, the availability of resources, and the deadline for every step in the creation of the BSC. Hiring an outside consultant to run the initiative should be taken into consideration because, unfortunately, people are often more willing to pay attention if an external is involved.

The Balanced Scorecard and communication are two phenomena which cannot be separated. The success of the BSC depends greatly on the achieved level of communication throughout the company. Moreover, once the BSC is implemented, communication should no longer be a problematic issue in Plava Laguna. The first step could be accomplished by informing everyone in the company about all the activities related to the BSC through meetings, group presentations, newsletters, the intranet, and "Plavi list" – the internal Plava Laguna journal. This would build awareness of the BSC and at the same time provide education and encourage participation. Once the BSC is implemented, everyone in the organization would recognize the role of each person in the company strategy which would reduce all communication difficulties.

7.10. Additional findings in Plava Laguna

Besides the nine barriers found in the literature, Plava Laguna suffered an additional problem which may have had consequences on the adoption of the BSC in Plava Laguna practice. This problem was found in the rigidity and fear of change of most of Plava Laguna's managers. According to the managing director, there was a fear of adopting, or even an unwillingness to adopt, a new tool which requires a change in behavior due to the company success achieved in the previous years. In 2002, just as today, Plava Laguna was one of leading hotel companies in Croatia. In such circumstances, people are very often not willing to make changes and take risks, but prefer to stay in the current position.

Table 2 shows the comparison of barriers found in the literature and those found in the case of Plava Laguna.

Table 2. Comparison of barriers identified in the literature and those identified in the case of Plava Laguna.

BSC Barriers	Barriers identified in the literature	Barriers identified in the case study of Plava Laguna
Limited understanding of what the Balanced Scorecard is	X	X
Lack of executive sponsorship	X	X
Lack of Balanced Scorecard education and training	X	X
The strategy is not formulated in a strategy map	X	X
Inadequate IT support	X	X
Inadequate project team	X	X
Not involving the whole organization	X	X
Inadequate KPIs	X	X
Lack of planning and communication	X	X
Unwillingness to change		X

CHAPTER 8: CONCLUSION

Despite its worldwide popularity and its acceptance as a powerful strategic management tool, a significant number of organizations have encountered different problems when trying to introduce the Balanced Scorecard in their business. A majority of organizations have either implemented the BSC without achieving any significant performance improvement, or have abandoned it at the implementation stage.

The purpose of this thesis has been to identify the reasons why the implementation of the Balanced Scorecard had been so difficult. First, a literature review of the BSC, its concepts and main characteristics was conducted. Second, previous studies were used to identify the most important barriers to the successful implementation of the BSC. Case study research was then conducted on the organization Plava Laguna J.S.C., where an unsuccessful BSC initiative took place in 2002. The goal was to identify the reasons for the initiative to fail in this case-study organization. A thorough analysis of the case-study organization and of documents available has provided several insights. Interviews and focus group meetings were conducted to obtain additional perspectives from the company members involved in the past attempt at introducing the BSC in the company. Taking all this as a foundation, recommendations for a future BSC initiative in Plava Laguna have been proposed in order to overcome the barriers to its implementation and to ensure its advantageous use.

The findings show that the barriers found in the literature and the reasons which led the BSC initiative in Plava Laguna to fail are similar. All nine barriers found in the literature were present in Plava Laguna's BSC initiative of 2002 and caused its failure. Unwillingness to change is signaled as an additional potential reason for the BSC to fail in Plava Laguna.

The interview participants recognized all of the barriers identified in the literature in the case-study organization as well. The most significant problem was found in the

lack of BSC knowledge. This shortcoming affected most of the other actions and caused many subsequent problems. The undeveloped IT slowed the initiative and caused many frustrations for the project team. Losing support from the top of the firm and the apparent unwillingness of some members of the company to change caused the BSC to remain only an unrealized wish of the company.

The wish to implement the BSC in Plava Laguna still exists. In both the interview and the focus group, the participants showed great interest in trying to implement the BSC again. After recognizing which are the real reasons for the previous failure, potential implementation in the future stands a higher chance of success. The ambition of this paper is to contribute to the successful implementation of the BSC in the future.

8.1. Limitations

The findings of this thesis are based on the research of literature which tells the story of the practice of the Balanced Scorecard since it was introduced in the 1990s. The focus is on issues encountered by different organizations when trying unsuccessfully to implement the BSC, and on those which did implement the tool but where it did not bring the expected results. However, it should be noted that there may be other possible barriers which may obstruct the successful implementation and usage of the BSC which are not defined in this thesis.

According to Niven (2006), no two BSC implementations are completely alike. Further, the same author states that organizations which decided to implement the tool should do so in a way that fits the individual culture, current management processes, and readiness for such a major change initiative. Therefore, the findings, results and recommendations of this thesis cannot be generalized and taken for granted by other companies, researchers or others interested in the topic.

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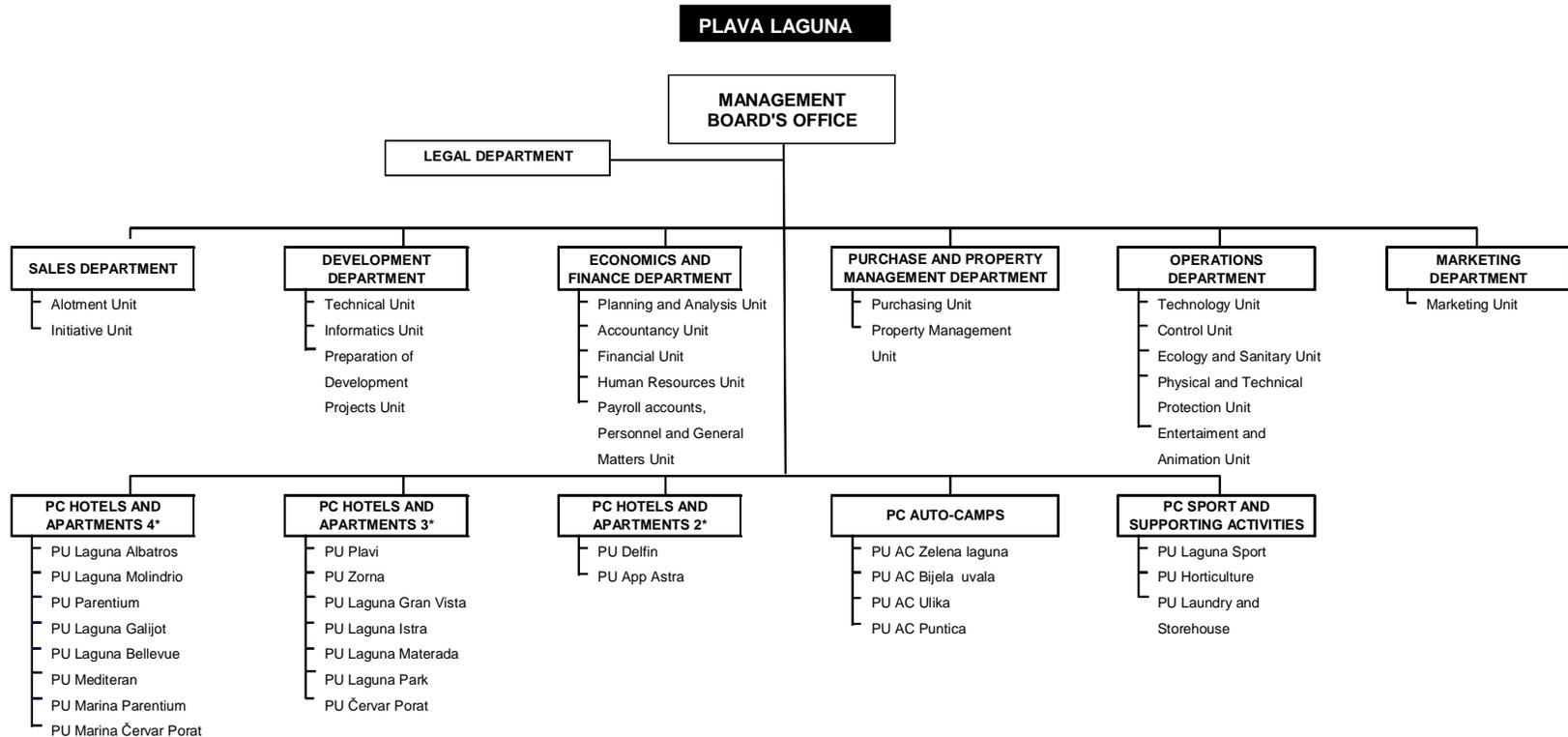
Appendix A: Plava Laguna's Facility Portfolio, Capacity and Overnights in 2008

Plava Laguna facilities portfolio, capacity and overnights realized in 2008 (Plava Laguna, 2009)

PLAVA LAGUNA FACILITY	2008	
	CAPACITY	OVERNIGHTS
TOTAL BUILT OBJECTS	8,594	1,286,637
TOTAL HOTELS	6,823	1,064,161
HOTELS 4*	1,560	224,732
VILA LAGUNA GALIJOT	174	30,916
VILLAGE LAGUNA GALIJOT	94	16,168
LAGUNA ALBATROS all inclusive	608	101,023
LAGUNA MOLINDRIO	482	39,078
HOTEL LAGUNA PARK	202	37,547
HOTELS 3*	3,785	633,746
PARENTIUM	666	128,545
MEDITERAN	677	105,458
PLAVI	392	68,407
ZORNA all inclusive	412	60,891
LAGUNA GRAN VISTA	336	47,240
LAGUNA ISTRRA	376	56,449
LAGUNA MATERADA	774	144,903
VILLAGE LAGUNA PARK	152	21,853
HOTELS 2*	1,478	205,683
DELFIN	1,478	205,683
TOTAL APARTMENTS	1,771	222,476
APARTMENTS 4*	1,019	133,763
APP LAGUNA GALIJOT	332	39,178
VILLE LAGUNA BELLEVUE	76	9,319
APP LAGUNA BELLEVUE	365	45,772
STUDIO APP LAGUNA BELLEVUE	246	39,494
APARTMENTS 3*	248	32,674
VILLE LAGUNA PARK	80	10,513
APP LAGUNA PARK	168	22,161
APARTMENTS 2*	504	56,039
APP ASTRA	504	56,039
TOTAL CAMPS	12,400	1,286,637
CAMPS 3*	11,700	1,032,625
AC ZELENA LAGUNA	2,700	235,760
AC BIJELA UVALA	6,000	476,319
AC ULIKA	3,000	261,662
CAMPS 2*	700	58,884
AC PUNTICA	700	58,884
TOTAL COMPANY	20,994	2,319,262

Appendix B: Plava Laguna's Organizational Structure

Plava Laguna's Organizational Structure



Appendix C: Transcript of Interview 1 – Individual

Individual Interview		
Interviewer: Dragan Pujas (DP)	Interviewee: Plava Laguna's managing director (MD)	Duration: 00:42 hours
DP: Who started the initiative to build the BSC in Plava Laguna?		
<i>MD: The initiative for the implementation of the Balanced Scorecard came from the Plava Laguna's former president of the Supervisory Board. On one occasion, he explained to me briefly the main idea of the BSC. He was quite determined to implement the BSC from which, according to him, Plava Laguna may benefit.</i>		
DP: Why was the initiative started?		
<i>MD: I have to go back more than seven years... it's not easy but... anyway...After the decision of implementing the BSC was taken by the Supervisory Board, both the Supervisory Board and the Board of Directors perceived the BSC as a monitoring and reporting tool. The BSC was never perceived as a management tool and a tool which would help achieve the company outcomes, but rather as a tool for reporting historical data in a different way without many pretensions to affect future relationships. The main focus was on monitoring and measuring Plava Laguna's performances. We wanted to take a look at company performances from some additional perspectives. The initiative didn't include the company vision, mission, objectives and the related strategy to achieve them. We weren't sure what the BSC really was. I'm quite sure that this limited understanding of the BSC was the result of our poor knowledge of the concept. Shortly after the first presentation we figured that continuing in this way we would probably get nothing new, nothing that we didn't already have, but only more paper on the desk.</i>		
DP: After it was decided to start with the BSC implementation, was there support from the top of the firm (the managing director) and was the BSC initiative placed as one of the priorities of the firm in that period?		
<i>MD: It is hard to say that it was one of the priorities of the firm at that time. The understanding and knowledge of the BSC was quite poor. Anyway, the Board supported and took the initiative seriously, at least in its beginnings. The project team was selected and all data needed were collected. After the presentation of the first draft of the BSC at the Supervisory Board meeting, something changed. We realized that we were implementing a new monitoring tool which was producing additional mountains of paper. After this, our initially enthusiasm quickly disappeared. I remember even the former director, who usually behaved as a "change enthusiast", was concerned about the usefulness of the BSC after he figured out that it would be an additional monitoring tool.</i>		
DP: How did you learn about the BSC? Did team members have some previous experience and knowledge about the BSC? Did team members attend seminars, training sessions or some other kind of education about the BSC?		
<i>MD: In 2002 the Balanced Scorecard was a relatively new term for all us. Even today, when you try to find something in Croatian practice, there aren't many firms that have introduced the BSC in their business. In 2002 this level of common knowledge about the BSC was very, very low. I remember that we were looking around for some presentations, seminars or something similar, but it wasn't a topic of much interest. Only in 2004 were some presentations organized and I think that some of us were present. You should check it with the others...There was very little evidence of the use of the tool and of opportunities to learn something about its implementation and use. We tried, but honestly, in 2002, Plava Laguna didn't do much to learn about the BSC. No one in the company had experience with the BSC, no seminars, training, or courses were organized to learn more about the concept. I remember that we bought two Kaplan and Norton books which were shared in the company.</i>		

DP: Did you spend considerable time making the vision, mission, objectives and strategies explicit in a strategy map before you articulated the metrics, goals and initiatives in the BSC?
<i>MD: No, a strategy map was not included in our plans. If you ask me now, I'm not even sure that we were familiar with the term strategy map! The core of the Balanced Scorecard wasn't the company vision, mission, objectives, and accordingly the strategy to accomplish them. We did not picture future company moves. We were attempting, by showing historical results with some new metrics, to learn from them, and on this basis, to act in the future.</i>
DP: Was the BSC initiative communicated to the company managers and, if so, how?
<i>MD: As I have already said, the BSC initiative didn't have as a starting point the company mission and the strategy to accomplish the company's objectives and those of specific departments according to the BSC logic. For this reason, there was no need to broaden the initiative to other managers and to lower levels, but rather to stick only to the project team and see what they got.</i>
DP: Was implementing the BSC a priority task for the team members or was it a "secondary" project for them?
<i>MD: We didn't have much knowledge but we definitely had a lot of enthusiasm, at least in the beginning. We started to build something but, to be honest, the final goal wasn't so clear. In such circumstances, it was decided that the project team would try to develop something and after some time we would together see what we got. So, it wasn't so clever not to take people away from their everyday work, but to ask them to do it alongside their regular tasks.</i>
DP: Was a team leader selected?
<i>MD: Yes, there was a team leader. Mr X was the team leader. I would be better to call him a coordinator.</i>
DP: What was the reason for that particular person to become the team leader? What was his background? What was his responsibility?
<i>MD: Mr X was a person from the Planning and Analysis Unit with affinities in finance. He did not have any BSC experience before but was probably the most "enthusiastic". His main duties were mostly related to sharing materials, scheduling meetings, getting members together, and communicating with the Board.</i>
DP: Did the team members represent all areas of the organization that were expected to use the BSC?
<i>MD: As the focus was rather on monitoring and reporting performances, so the selection of the project team members was made according to this. In these terms, the team was composed of people from the "back office". When I say "back office", I think of people in charge of developing reports, not about owners of perspectives as the BSC says. No, people from all company areas were not included. There was nobody from the Purchase and Property Management Department, nobody from our profit centers.</i>
DP: Beside the project team, did other managers and employees sometimes take part in the initiative?
<i>MD: The people involved in the initiative were always the same. The number of people in the team didn't change.</i>
DP: Who decided on the measures included in the BSC?
<i>MD: If I still remember, the metrics were created exclusively by the team members, but please check that with the others... I'm not sure anymore.</i>
DP: Were any workshops organized with other managers and employees to review the metrics?
<i>MD: No, as far as I remember, there wasn't any workshop or presentation with other people in the company. I think that the project had the exclusive task of creating metrics which would in the future be presented to the rest of the firm. But, as we know, it never happened.</i>
DP: Did you think of hiring some outside consultants? Why didn't you do so?
<i>MD: No, we didn't think of an outside subject to help us in the implementation process. You know, it is hard to explain but sometimes, when you know little or nothing about something you think that you know a lot! It is quite a big problem. We understood the BSC as a reporting tool. Probably because there were some reporting problems the idea of the BSC was perceived as something that could help us. But, after all, there was something positive. From there we understood the need to implement a data warehousing system. Unfortunately, till today, nothing has</i>

changed in that respect.

Final thoughts

MD: If you ask me now, I think that Plava Laguna is today much readier to implement a tool like the BSC. I think that the lack of knowledge and the undeveloped IT are definitely the two biggest causes of the unsuccessful implementation of the BSC in 2002. Of course, there is also the bad decision to implement a tool for monitoring performances and not a strategic management tool. There is certainly another fact which made the implementation of the BSC very problematic. Since the BSC is a tool which necessitates a lot of change behavior across the whole company, I think that Plava Laguna's management at that time wasn't ready for this. The success of Plava Laguna sometimes makes people unwilling to change or take risks. They ask themselves, "why do we have to change something if we are so good?" They don't understand the boomerang effect coming from the changing environment. Hopefully, this has changed a lot in the last couple of years. I really think that in today's conditions the BSC would have a chance to succeed.

Appendix D: Transcript of Interview 2 – Focus Group

Focus Group Interview		
Interviewer: Dragan Pujas (DP)	Interviewees: BSC Project team 2002 (PT)	Duration: 00:54 hours
DP: After it was decided to start with the BSC implementation was there support from the top of the firm (the managing director) and was the BSC initiative placed as one of the priorities of the firm in that period?		
<i>PT: The decision to implement the BSC was taken by the Supervisory Board. Yes, there was support from the top of the firm but unfortunately only at the beginning. None of us knew much about the BSC but we had the task of developing something. We weren't so sure what the final outcome would be. Anyway, we kept going and tried do something but always having in mind that the BSC was a tool to monitor performances. When the BSC took its first shape, after the first presentation of what we had done, no one was very excited any more. We noticed that the top of the firm was increasingly losing its initiative and determination to proceed with the development of the BSC.</i>		
DP: How did you learn about the BSC?		
<i>PT: This is a tough question. We learnt from everywhere. In the beginning we bought some books, if I still remember there were two Kaplan and Norton books. We made copies and each of us got some readings to get familiar with the topic of the BSC. Anyway, the level of knowledge about the BSC always remained quite low.</i>		
DP: Did team members have some previous experience and knowledge of the BSC?		
<i>PT: No, we didn't have any BSC experience before the initiative in Plava Laguna. We had only heard about the BSC. Only Miss X had some experience, but only as a user not as a developer.</i>		
DP: Did team members attend seminars, training sessions or some other kind of education about the BSC?		
<i>PT: No, there were no seminars or anything similar. The ambition to implement the Balanced Scorecard didn't die completely in 2002 since some of us attended two seminars related to the BSC concept in 2004.</i>		
DP: Did you spend considerable time making the vision, mission, objectives and strategies explicit in a strategy map before you articulated the metrics, goals and initiatives in the BSC?		
<i>PT: We didn't talk much about the strategy in the initiative of 2002. A strategy map wasn't introduced as a core in the concept. I remember that I tried to make some drawings related to a strategy map, but it was just a trial and it was never included in the BSC. As it wasn't perceived as a strategic management tool we didn't start with the strategy but with metrics. Anyway, the strategy wasn't much articulated at that time. It wasn't known by many people in the company. Probably, the BSC would have had much more success and it would have been more needed if we had used it as a strategic management tool.</i>		
DP: If there was one, did you use an ERP (Enterprise Resource Planning) system for the BSC or was a new one created for the purpose of the BSC?		
<i>PT: No, the company didn't have a real ERP. Actually, at that time, the idea of implementing a Business Intelligence and Data Warehousing system emerged. It would also be suitable for BSC requirements. For this purpose, three tenders were organized, and each time the offers were analyzed but, unfortunately, nothing was decided. And, as you know even today, this kind of system has not been implemented in Plava Laguna.</i>		
DP: How were the required data collected, analyzed, reported and distributed through the company? How much time was needed to bring the BSC to its final shape before the initiative stopped?		
<i>PT: The collection and analysis of data are always an issue in Plava Laguna. Data were collected through the existing information system but a great amount of data was also retrieved manually using Excel sheets. Just like</i>		

<p>today, a real ERP system or a warehousing system wasn't developed in the company. We spend so much time just collecting and retrieving data from different sources. I don't remember exactly, but I think we needed 2 to 3 weeks only for completing the first draft of the BSC project which was presented at the Supervisory Board Meeting.</p>
<p>DP: Did the team members represent all the areas of the organizations that were expected to use the BSC?</p>
<p>PT: Not really. I mean, we were all in charge of a specific part, mainly related with the BSC perspectives. So, for example, Miss Y was in charge of developing metrics for the Internal Processes Perspective, Mr Z was in charge of the Customer perspective. But no, all company areas weren't represented. There was nobody from the Purchase and Property Management Department, Operations Department, or from the profit centers.</p>
<p>DP: Did team members always have time to participate in the process?</p>
<p>PT: Time, yes, we were always here, but we had at the same time our regular duties and the project was conducted alongside. We organized meetings, which weren't so regular. I would say that the project was the one adapting to the available time and not the other way round.</p>
<p>DP: Beside the project team, did other managers and employees sometimes take part in the initiative?</p>
<p>PT: Not much, I mean the initiative stayed mostly within the project team.</p> <p>PT: Well, I involved my unit team, we did it together.</p> <p>PT: No, I had the task of creating the measures for the Customer Perspective since I was employed in the Sales and Marketing Unit. There wasn't much collaboration coming from my unit.</p>
<p>DP: Who decided on the measures to be included in the BSC? Was any workshop organized with other managers and employees to review the metrics?</p>
<p>PT: We did everything, I should start from somewhere. We did everything. We included measures that we thought would be good for the BSC. We included many metrics, probably too many. But when it came to the point in the initiative when measures for all the perspectives had been created, there was no support to continue. In my opinion this is a big mistake. If there had been a chance to organize some meetings to review the introduced metrics with the rest of the firm, I think we would have achieved more than we actually did.</p>
<p>DP: How did you select the KPIs?</p>
<p>PT: I remember I was looking around to find out what other company were doing, our competitors. Thinking about the customer perspective, I was even trying to find out which metrics the biggest, global hotel companies were using. And obviously I checked different literature.</p>
<p>DP: Did you use existing KPIs or did you come up with new ones?</p>
<p>PT: Yes, we created some new, additional measures.</p>
<p>DP: Was there a target for each metric?</p>
<p>PT: In the beginning there were only some past achievements compared with budget expectations. We would come up with some target achievements, but for that a lot of time and the participation of many people were needed. If we continued with the initiative, meetings with other company managers would have been organized and I believe something more would have come out of it.</p>
<p>DP: Was there an implementation timeline planned?</p>
<p>PT: No, we didn't strictly define any timeline. Actually, except for the perspective which we were in charge of, there wasn't a real plan with defined duties, goals, deadlines. We started after some agreements and occasionally got together when something had been done.</p>
<p>DP: Was there a standard procedure to deliver information / communicate?</p>
<p>PT: In the 2002 initiative, communication was only directed towards the Board and occasionally towards the Supervisory Board. If we exclude the Supervisory Board, there were only around ten people who knew the initiative was going on. So, communication wasn't an issue in such a small group.</p>