

Balanced Scorecard (BSC) as a Contemporary Management Practice to an Organization: Hotel Taj Samudra – Colombo

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Abstract:-

The Balanced Scorecard is a strategic planning and management system that is used extensively in business and industry, government, and nonprofit organizations. Due to expansion of the idea of Balanced Scorecard, different business organizations operating in different industries were taking corporate level management initiations to implement the Balanced Scorecard in their organizations. Being operating in Hospitality Industry, hotels were the pioneers in this change. Therefore, the Researcher emphasizes the importance of using BSC as a contemporary management practice in the hospitality sector as a case study of Taj Samudra hotel. Here, both primary and secondary data were used and analysed qualitatively. Finally, Analysis revealed how the Hotel uses this concept successfully to get the competitive advantage while applying it to different performance perspectives of the hotel. It showed that the present training and development process of the hotel as a critical success factor and a high staff turnover as a critical negative factor.

Key words:- Balanced Score Card, Hospitality industry, Performance perspectives

1. Introduction

In the Sri Lankan context, hotel industry has been playing a major role as a contributor for the national economy through city business hotels and tourist hotels in different classes. Under the umbrella of Indian Hotel Companies Limited and corporate brand of Taj, Hotel Taj Samudra, Colombo has been recognized as one of the leading traditional business hotels.

Even though the current competition in the industry is high and the influence of the external environmental factors are negative,

Taj Samudra is still in a strong position with a significant market share, valuable and loyal customer base with high levels of acceptance.

With the objective of using Balanced Scorecard as a strategic management tool in the evaluation of organizational overall performance, Taj group has developed and implemented this contemporary management practice to obtain sustainable competitive edge, market dominance with a strong international presence under current complex, unpredictable industrial context with rapid market changes. The objective

behind hotel Taj Samudra – Colombo is almost same as the above towards maximizing profits from the business unit while competing head to head with grand city hotels in Colombo facilitated by unique and exceptional guest satisfaction.

This critical review on current status of implementation of BSC in to Taj Samudra – Colombo would definitely provide platform for a meaningful forum on such contemporary management practices and their operations in hospitality industry.

1.1 Scope of the Research

This study has been designed to critically review the current status of BSC as a contemporary management practice while identifying the key issues on the implementation based on Hotel Taj Samudra – Colombo with special consideration to the frontline functional areas of Front office operations, Food and Beverage operations, House keeping and the other divisions of Sales and marketing, Human resources and Finance.

1.2 Research objectives

- To identify the importance of applying Balanced Scorecard to hotel sector as a contemporary management practice
- To identify the implementation issues of applying Balanced Scorecard to hotel sector

1.3 Research questions

- What is the importance of applying Balanced Scorecard to hotel sector as a contemporary management practice?
- What are the implementation issues of applying Balanced Scorecard to hotel sector?

2. Literature Review

A comprehensive reviewing of literature on the topic of balanced scorecard (BSC) has been conducted.

2.1 The Concept of Balanced Scorecard (BSC)

Over the past decades the BSC has become a widely advocated management tool associated with “best practices”. As a management tool, the BSC provides an enhancement to the traditional management planning and control systems by looking beyond financial measures to incorporate non-financial measures (Hendricks, Menor and Wideman, 2004). According to Kaplan and Norton (1996), the name reflects the balance between short-and long-term objectives, between financial and non-financial measures, between lagging and leading indicators, and between external and internal performance perspectives (p. 84).

In reviewing the literature, it was noticed that introducing, initiating, implementing and improving the BSC tool has a great history as well as a comprehensive evolution process. The first BSC-type system developed by General Electric in the 1950s was designed to be a performance measurement system, but the BSC has now evolved in to a strategic management tool critical to an organization’s planning process (Hendricks, et.al 2004 and Mooraj, Oyon and Hostettler, 1999). The BSC requires that senior management translate the firm’s vision and strategy in to four performance perspectives: financial, customer, internal business process and learning & growth (Kaplan and Norton, 1996).

2.2 Four Performance Perspectives of BSC

The perspectives represent three of the major stake-holders of the business (share-holders, customers and employees), thereby ensuring that the holistic view of the organization is used for strategic reflective and implementation. Defining these key perspectives adds more value to the literature survey.

According to Kaplan & Norton (1996), each perspective can be defined as follows.

- The financial perspective represents the long-term objectives of the company. Based on the relevant stage in the

product or service lifecycle i.e. rapid growth, sustain and harvest, the measures should be developed.

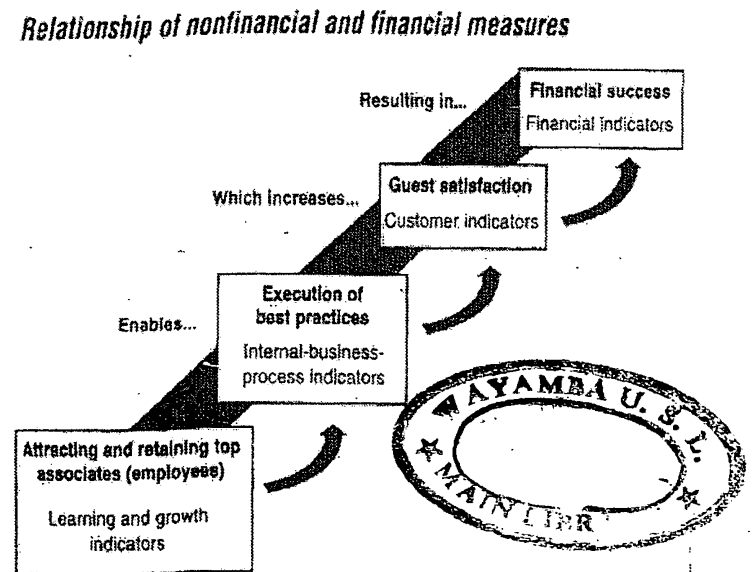
- The customer perspectives consists of measures relating to the most desired (i.e. the most profitable) customer groups. It will include several standard measures such as customer satisfaction and customer retention though in the each case they should be tailored to meet the organizational requirements.
- The internal business process perspective focuses on the internal processes required in order for the company to excel at providing the value expected by the customers both productively and efficiently.
- The learning and growth perspective focuses on internal skills and capabilities, in order to align them to the strategic goals of the organization. The BSC process will often identify gaps between the required and existing skills and capabilities.

2.3 BSC in Hospitality Industry

Though the basic concepts of BSC provide the framework, the corporate level personals working for hotels had to develop their own measures, indicators and other things in order to implement the BSC concept in their organizations. After studying a successful story of implementation of BSC at White Lodging Services Corporation (WLS), a United States based hotel chain, Denton, & White (2000) claim that it is very much useful in monitoring hotel operations. Further, they explain that the BSC system developed at WLS was able to monitor performance at the property and corporate level and thus to ensure that owner's long-term objectives were being satisfied. In addition to that, after following Kaplan and Norton's framework, the top management of WLS has developed a consensus regarding the cause-and-effect relationships contributing to financial performance. The figure 1 shows the developed framework which explains the

application procedures and theoretical background of BSC in hotel firms.

Figure 1: Relationship of non financial and financial measures



Source: Denton, G.A., & White, B., (2000)

This framework laid the foundation to study the operations of Taj Samudra – Colombo and to understand the application of BSC in hotel industry.

3 Methodology of the Study and Limitations

This study has been carried out based on primary and secondary data related to the concept, industry and the hotel. Primary data/information have been collected at the hotel visits/ observations, personal interviews with the senior management staff. Data developed for strategic review meetings, brochures, visual aids and web searching was considered as secondary data sources. Data analysis was basically a qualitative one followed by a critical review.

Samples were selected purposively (purposive sampling method). Therefore, purposive-sampling strategy was used in this study. Ten managerial and executive level people were selected to conduct the interviews from the areas of Food and beverages, Front office, House keeping, Human resources and Finance. Each section represents two interviewees and interviews were conducted in a semi-structured manner.

In addition, the researcher has identified several limitations on data/ information collection such as

- No access for required essential statistical data about the organization and evaluation process.
- Time constraints and restrictions to conduct meetings with the strategic planning committee of BSC as a group at once.

Finally, researchers were able to address the key issues without considering the above limitations as barriers to the expected outcomes.

4. Results and Discussion

4.1 Initiation and Development of Balance Score Card (BSC) in Taj Samudra Hotel

The Taj hotel operates according to the vision of the Taj Hotels, Resorts & Palaces. The Vision of the Taj Samudra hotel is “Embrace *Talent* and harness *Expertise* to leverage standards of *excellence* in the *art of hospitality* to *grow* our *international* presence *increase* domestic *dominance* and *create value* for all stakeholders”. Their strategy has been developed in the basis of the Indian Hotels Company Ltd, the parent company of hotel Taj Samudra. In order to be in line with the growth strategy of the group which is to operate 20,000 rooms in 25 major destinations around the world and achieve a group turn over of US\$ 2 billion with 33% share from international operations, by 2010, the specific strategy of hotel Taj Samudra has been designed and developed.

4.2 Indicators and Perspectives of the Balanced Score Card implementation at Taj Samudra

BSC came into operation four years back as a strategic management tool beyond a management control mechanism integrating the group vision and growth strategy customized to Taj Samudra Colombo. The initiation of this evaluation process is basically due to top management corporate

group decision as a global implementation. Therefore, Taj Samudra, Colombo had to initiate the project followed by international and local outbound training programs and work shops targeting the local top management headed by the general manager and the senior management consists of heads of departments. At the introductory stage top management was keen to go ahead with the implementation process of BSC after couple of brain storming sessions by highlighting hospitality industrial best practices and example on BSC. Even though the top management consensus and guidance has been there, most of the heads of department didn't have a proper understanding of this evaluation process and its benefits and complications. Therefore it was some what hard time (specifically for food and beverages and kitchen operations) for them to be convinced on this concept and guide their subordinates to cope-up with this new mechanism of information flow.

The Balanced Scorecard was to be implemented at all levels of this organization focusing on key indicators for each of the four perspectives (i.e. financial, customer, internal processes, and learning and growth). In accordance with that the corporate strategic planning committee identified items such as associate retention and training, guest satisfaction, empowerment and providing the right tools to managers and associates beyond the direct financial success factors. As the final product Taj Samudra came out with a numeric points system (some times percentage based) with main indicators /dimensions, measures, targets and strategic initiatives. Following tables shows the objectives of each perspectives mention in the earlier with the measures used to achieve strategic objectives.

When it comes to the analysis of these four perspectives the financial perspective includes indicators both revenue generation and expense control (profitability) data. There are some of the important division's strategic objectives and relevant measures such as Profitable Operation – Corporate Gross Operational Profit (CGOP), Top line growth – Revenue of Banquets / Rooms / Restaurants.

Table 1: Financial perspective

Division's Strategic Objectives	Measures
Growth in Capacity	No: of Rooms signed up - domestic
Market dominance	National Fair Market share
	Competition Mystery audit against Best competitor
Profitable operations	Corp : GOP
	Unit : CGOP
Top-line Growth	Revenue : Rooms
	Revenue : Banquets
	Revenue : Restaurants

By practicing these financial measures some of the following portfolios' objectives are possible to achieve

- Achievement of budget targets.
- Superior financial management of the hotel.
- Maintain expense control levels.
- Delivery of high investment results.

The customer perspective indicator represents hotel's sources of demand. In this case the planning committee designed potential guest relations indicators such as, Delighted and loyal guests – Overall satisfaction; GSTS (Guest Satisfaction Tracking System), Hassle free consistent experience – GSTS (Overall quality of service) / No. of written complaints. Individualized, customized experience – No. of written compliments/ GSTS positive answers.

Most of this information is gathered through standard different survey sheets and questionnaires related to GSTS and other measures.

Internal processes perspective consists of measures such as, Customer acquisition – hit list targets, Defect free product and service delivery – Mystery audit Score/ Processes on Target, Customized product and service – CIS score/ GSTS- anticipating and meetings.

Table 2: Customers perspective

Division's Strategic Objectives	Measures
Delighted & Loyal Guests	Overall Sat: GSTS
	Erosion of client base
Wide presence	No: of hotels signed up - domestic
	No: of locations
Hassle free consistent Experience	GSTS: Overall Quality of services
	GSTS: Efficiency Index
	No: of Written complaints
Individualized, Customized Experience	GSTS: Anticipating & Meeting
	GSTS: CCR Index
	No: of written compliments

Table 3: Internal processes perspective

Division's Strategic Objectives	Measures
Customer Acquisition	Yeild from new accounts in the city
	Hit list targets
Defect-free Product & Service Delivery	Mystery Audit Score
	Processes on Target
Customized Product & Service	C I S Scores
	GSTS: Anticipating & Meeting

Learning and Growth perspective covers various aspects through measures such as, Attract, Retain and Development – No. of people moved to higher positions, High Performance Culture - CBTM (Competency Based Training and Certificate), Empowered work Environment – ESS (Employee Satisfaction Survey)/ Way we work manual, Training and Development – Training hours and No. of innovative work shops, Culture of innovation and continuous improvement – No

of improvement projects closed. / No. of new ideas generated.

Table 4: Learning and Growth perspective

Division's Strategic Objectives	Measures	
Attract, retain & Develop talent	No: of people moved to higher positions	
	No: of Career aspirations signed off	
Empowered work environment	ESS on Empowerment	
Culture of Innovation and continuous improvement	No: of Improvement Projects closed	
	No: of new Ideas implemented	

Based on the scoring template, key strategic decisions can be made through review meetings. Corporate and divisional performance enhancement plans can be initiated through these eye openers.

4.3 Critical analysis and implementation issues

1. Creation of own measures for financial and non financial indicators

In this case the suitability, practicality and the reliability of those measures is an issue in order to develop and implement particular data collection and review techniques. These measures were chosen by the strategic planning committee after considering ultimate goals, hospitality industrial standards, current departmental structure/ roles and Taj existing operations. It is obvious that certain controversies have been created in terms of output and the results in the long run based on the degree of reality, accuracy and reliability. Therefore those measures need to be reviewed time to time like what Taj has been doing.

2. Corporate structure and its compatibility to the information generation and circulation.

As Taj Samudra's corporate structure/ design based on departmentalization which include seven divisions namely

Finance, HR, Sales and Marketing, Food and Beverages, Kitchen, Front office and House keeping. Each and every department is managed by a HOD followed by other managers. As the BSC measures and particular responsibility personal have been named in a manner which minimizes the inter departmental conflicts. Regular HOD's and other selected member meeting is the forum for clarifications. Corporate structure of Taj can be considered as a facilitator for BSC implementation. Going beyond the traditional hierarchy the training manager and the assistant training manager have a key role in maintaining and sphere heading the highest standards of training and reviewing of BSC process.

3. Corporate culture and adoption for change

Even though Taj Samudra has been recognized as an Indian based multinational, traditional, conventional hotel chain, it as a city business hotel has created an organic/ innovative culture in order to support to get the sustainable competitive edge. But still there are internal cultural issues among traditional thinkers with seniority. BSC addresses and motivates for an innovative culture to be seen every where to provide high end customer service and stakeholders benefits. Following points highlights certain values that Taj has been in touch. Taj Samudra has recognized people diversity, integrity and respect, passion for excellence, exceed expectations, innovation, sense of urgency and accountability, social responsibility and joy at work as key values to be in place. These areas can be taken as a driving force to implement and sustain contemporary management practices such as BSC.

The change process towards adopting to BSC has not been that difficult as it is only a performance evaluation tool and the target audience and information sources (employees for certain indicators) are not even aware that they provide the feed back for this kind of a tracking system

except for certain managers and certain executives.

4. Training and Development

As explained earlier it is critical to focus on continuous training and interactions at different levels of the involved parties of this BSC operation. It has been done while planning for regular general training programs which are designed for basic skills development. Eg: sales and marketing (unique selling points, innovative approach)

5. Key Result Areas (KRA) and Performance appraisal method.

In connection with the BSC there has been a mechanism to identify Key Result Areas (KRA), and there has been a presence of performance appraisal method (biannual and annual) for respective departments and employees. This process has defined certain targets /satisfactory levels and the budgetary frame work has been designed to integrate with this. That's how the BSC goes in to the overall goal settings and budget allocations.

6. BSC is not a separate entity for the operation.

It is integrated to the existing ERP's, accounting software, other marketing information systems/ databases and quality assurance procedures. Those soft wares/ systems have been customized to generate necessary information for the BSC basic data requirements. Therefore the maintenance of this process might be affected by the validity; feasibility, compatibility of those systems. Sometimes Taj has experienced certain negative influences due to this integration.

7. Employees awareness and knowledge of BSC

As the evaluation process has been directly addressed through HOD's and selected members of the management, most of the ground level employees are

not aware of the importance, objectives and the operation of this BSC. In a way it creates an advantageous position with regard to actual, realistic information/ feedback circulation through questionnaire's and other data collection methods. On the other hand there is a tendency of biased data generation through certain level of employees to see positive results in evaluation. Those figures might mislead the central committee.

8. Regular frequent meetings

As managers have been attending to strategic review and updating meetings quite often, there is a tendency of effective time consuming/ wasting effective time which would lead to decrease the productivity and efficiency of respective sub divisions / departments.

4.4 BSC in Practice at Taj Samudra (A model example from a division.)

Operational improvement of a particular division can be taken in to consideration to highlight the impact of the BSC implementation. In a restaurant, the basic functions were under the control of the staff of the restaurant and restaurant manager guided by Food and Beverages Manager. The effectiveness, efficiency and the quality of the service depends on the past experience, competencies and interactions.

After the implementation of BSC, the process of Training and development comes under Learning and Growth perspective had a crucial role to play. While setting up manuals and clear procedures targeting the division through internal processes in order to maximize the quality standards towards guests' satisfaction, the monitoring and controlling based on BSC would continue with a smooth, result oriented functioning. Automatically the overall productivity of the restaurant and the level of the employee satisfaction and empowerment would be enhanced. These satisfaction levels have been tracked by measures such as ESS (Employee Satisfaction Survey), GSTS (Guest

Satisfaction Tracking System), Revenue of the restaurant as a financial measure and other relevant measures. Regular training and interactive sessions for the management as well as the restaurant staff continues to assure the expected services. On top of that the strategic review sessions adds value and initiate changes of standards to maintain the successful operation. This is how Hotel Taj Samudra has gained the advantage of a contemporary management practice like BSC.

5 Conclusion

As a key organization in the hospitality industry Hotel Taj Samudra has been quiet successful in practicing BSC as a strategic management tool by maintaining the sustainable competitive advantage in a very unstable environment. The present training and development process under HR department plays a significant role in upgrading the standards of the entire employees. This strength can be recognized as one of the critical success factors in the implementation of contemporary management practices such as Balanced Score Card and various other systems. In addition, it is a main achievement of internal business process. On the other hand the high staff turn over due to foreign job opportunities has been a critical negative factor for smooth hotel operations. Also while contributing the learning/ growth perspective of BSC, Taj HR has implemented a concept called "Training the Trainers" with suitable training aids with the objectives of developing more competent internal trainers to take charge of their departmental training.

Therefore, it is essential to address on these perspectives to drive the hotel towards a proactive strategic direction. Finally, through this research, the researcher was able to emphasize the importance of applying the BSC to get the competitive advantage and the some significant implementation issues of it.

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