



International Conference on Accounting Studies 2014, ICAS 2014, 18-19 August 2014, Kuala Lumpur, Malaysia

## Determination of goals under four perspectives of balanced scorecards and linkages between the perspectives: A survey on luxury summer hotels in Turkey

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### Abstract

This study aims to determine the main goals under four balanced scorecard (BSC) perspectives and investigates the relationship between the perspectives for luxury summer hotels in Turkey. It also questions the approaches of the main managerial positions to the four BSC perspectives. This study is based on a two-stage survey which includes twenty luxury summer hotels located in Turkey. The findings of the survey show that finance has the highest priority among the four perspectives and the strongest relationship exists between customer and finance perspectives. It is also concluded that general and financial managers choose financials as the most important perspective while sales and marketing managers consider the customer perspective as the most important.

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Peer-review under responsibility of the School of Accountancy, College of Business, Universiti Utara Malaysia.

*Keywords:* Balanced scorecard; hotel management; strategic management; performance measurement; Turkish summer hotels

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### 1. Introduction

Performance measurement has been an important issue for both the business world and academics for many years. In the 1980s, some performance measurement methods were formulated; however, the BSC which was

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developed by Kaplan and Norton (1992) has become the most commonly accepted tool by researchers as well as managers. The BSC translates the mission and strategy of an organization into goals and from these goals specific measures can be derived in order to achieve the targets (Kaplan & Norton, 1992). As a flexible methodology the BSC has been adapted to industrial enterprises as well as service organizations since it was developed. It covers quantitative indicators as well as qualitative factors which are critical in service environments. (Ehbauer & Gresel, 2011)

Turkey has shown a substantial development during the last 11-year period, with a GDP increasing from 230 Billion USD in 2002 to 820 Billion USD in 2013. Tourism revenue is an important item in Turkey's GDP and it reveals a rise parallel to the country's progress, from 12 Billion USD in 2002 to 32 Billion USD in 2013. The number of luxury summer hotels has increased more than three times from 311 to 1,015 in the 13-year period between 2000 and 2013. Antalya and Bodrum are Turkey's most important tourism centers and hotels in these centers create an important part of the revenue from tourism. With high-quality services, qualified employees and executive staff, the hotels in these regions achieve worldwide success. For the sustainability of hotel performance, factors affecting success should be determined, and developed continuously.

The purpose of this paper is to identify the main goals of BSC perspectives and the strength of relationships among these perspectives, and also to ascertain the opinions of managers about the perspectives for luxury summer hotels in Antalya and Bodrum.

## 2. Literature review

Kaplan and Norton (1992) developed the BSC as a new tool including operational measures, as well as financial ones, for performance evaluation. The BSC provides management with a set of measures that give a fast and comprehensive view of the business. The aspect of non-financial assets' accounting for 50-80% of a firm's value supports the importance of the BSC approach (Kim & Lee, 2007).

Since the importance of intangible assets has increased in the hospitality industry as much as tangible assets, the BSC approach has become a popular tool in hotel management (Evans 2005). Denton and White (2000), Brown and Mc Donnell (1995), Mc Phail et al. (2008), and Fisher et al. (2010) explored the BSC applications in hotel management and showed its advantages as a model combining different performance measurements.

Bertan (2009) reviewed the BSC in the hospitality industry and determined how the BSC affects the management strategies of hotels and also explained the cause-result relationship between the perspectives of the BSC.

Denton and White (2000) highlighted the stimulant feature of the BSC, which provides both owners and managers with a fast indication of how well each property is doing. They stated that the BSC establishes mutual targets for all parties in their search for a good hotel guest experience, therefore; it raises financial outcomes. Their research is based on White Lodging Services Corporation (which manages Marriott's service franchises) which implemented the BSC in 1997 and they found that the company's financial indicators became stronger. They also concluded that the company was able to reduce turnover and dramatically increase adherence to internal processes. Another result of their research showed the alarm feature of the BSC. The company's guest-satisfaction scores did not meet targeted levels of improvement. These scores served as an early warning indicator to the management for potential difficulties long before the situation affected the bottom line. Kim and Lee (2007) drew attention to quantifying non-financial measures as an important difficulty in implementing the BSC.

Phillips and Louvieris (2005) analyzed the performance measurement processes of SMEs in the tourism industry in the UK using the BSC framework. They identified budgetary control, customer relationship management, strategic management, and collaboration as priority factors which are slightly different from Kaplan and Norton's perspectives; claiming that these factors fit SMEs better rather than simply implementing management tools developed for larger organizations.

Chen, Hsu, and Tzeng (2011) developed a model using the BSC approach to evaluate the performance of hot spring hotels in Taiwan. Based on their study they claimed that customer perspective has the top priority for management strategies in hot spring hotels.

Lin, Hsu, and Huang (2013) also studied the hot spring hotel industry in the Taiwanese market. They analyzed the perspectives of the BSC and its impacts on financial performance using empirical data from these hotels. Research results showed that the BSC has a positive effect on financial performance and its four perspectives are positively correlated; besides, internal process criteria have the strongest direct impact on financial performance in these hotels.

Doran, Haddad, and Chow (2002) drew attention to the difficulties in BSC implementation. They showed the complexity and high requirement for resources and long period time needed for the application of the BSC as the main difficulties. Evans (2005) mentioned some potential difficulties in BSC implementation such as; establishing causal linkages between the BSC components, maintaining the support of employees for the system and tailoring the approach to each organization's individual needs (McPhail, Herington, & Guilding, 2008).

Phillips (2007) conducted a case study aiming to deepen understanding about the theoretical and practical aspects of the BSC. Based on the findings of the case study he asserted that over-reliance on the successful achievement of the BSC metrics without a focus on strategic control can result in a negative impact on profitability.

Quintano (2013) who focused on the luxury hotel market category argued that within each perspective of the BSC a manageable number of objectives should be balanced. He also stated that recently some major hotel chains added a 5<sup>th</sup> or even a 6<sup>th</sup> dimension to the original four dimensions of the BSC. Hilton Hotels have added Green as a 5<sup>th</sup> dimension. The ACCOR Group, a major French global player in the hospitality industry (Sofitel, Novotel, Mercure, Ibis, Etap, Motel 6, etc.), added Growth and Development as a 6<sup>th</sup> dimension. Quintano suggested that a process of rationalization and prioritization by the various stakeholders in the hospitality industry, will lead academics to design and develop a Prioritized Score Card (PSC).

### 3. Methodology

Luxury summer hotels that generate higher growth in income compared to overall growth in Turkey have become an important area of research. Antalya and Bodrum are the two most important centers where luxury summer hotels are intensely located. Since this study relies on surveys based on BSC, large and institutionalized hotels were included in the study to ensure reliable responses. After many phone calls and electronic correspondence, it was concluded that 20 hotels in the region were appropriate for this study. The other purpose of this study is to differentiate the perceptions of managers who are effective in the decision-making process. Therefore, questionnaires were sent to the general managers, finance managers, and sales and marketing managers in charge of those 20 hotels.

### 4. Survey

A two-stage analysis was conducted in this survey. In the first stage a questionnaire was designed to determine the four main goals under each perspective of the BSC and also to learn their perception of the linkages between the perspectives. They were requested to select the most important linkages among all combinations of the four perspectives. This questionnaire was sent to 60 managers of the 20 hotels. Respondents ranked the goals under four perspectives starting from 1 which indicated the highest importance. Based on the results of the survey the most important four goals of each perspective were determined (Table 1).

Table 1. Most important goals

Finance	Customer	Internal Processes	Learning & Growth
Increase net sales	Increase customer satisfaction	Improve service quality	Increase employee quality
Decrease costs	Increase service quality	Better handling of operational problems	Improve team players
Increase profitability	Better hotel image	Increase management efficiency	Improve service quality
Increase EBITDA	Higher customer loyalty	Improve new products and services	Increase employee satisfaction

The managers who replied to the first questionnaire also expressed their perceptions of the linkages between the perspectives. All of the respondents answered that financial goals were affected by other goals which is consistent with the literature (Kaplan and Norton, 2004, Lin, Hsu, Huang 2013). Based on that result, the following research model (Figure 1) that reveals the strength of relationships among the BSC perspectives was formed to design the second questionnaire.

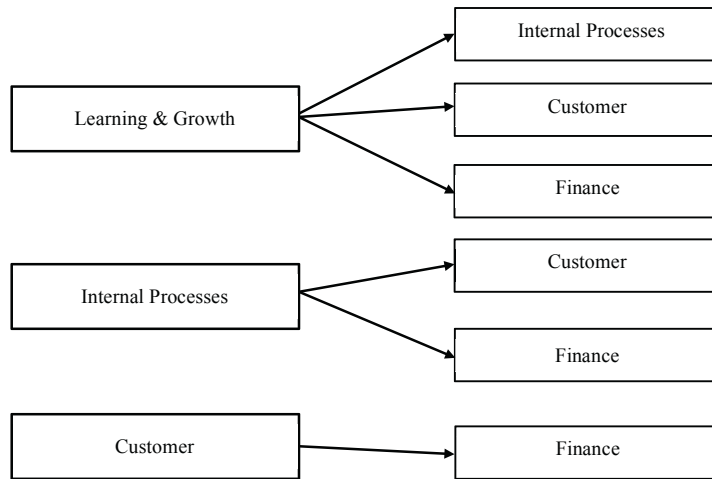


Figure1. Research Model

The second questionnaire consisted of 30 questions regarding the research model. The aim was to determine the level of influence among the goals by means of questions given in Table 2. The questionnaire was sent to the same 60 managers.

Table 2. Second questionnaire

Linkages between perspectives	Questions
Learning and Growth - Internal Processes	Improving team players will support improving new products and services Increasing employee quality will provide high quality service Employee satisfaction will increase management efficiency
Learning and Growth - Customer	Improving team players will support handling of operational problems Increasing employee quality will increase service quality Improving team players will increase service quality
Learning and Growth - Finance	Increasing employee quality will increase customer satisfaction Increasing employee quality will support the hotel's image Increasing employee quality will decrease costs
Internal Processes - Customer	Increase in employee satisfaction will improve net sales Improving service quality will increase net sales High quality services will increase customer satisfaction High quality services will increase customer loyalty
Internal Processes – Finance	Increasing management efficiency will increase service quality Increasing management efficiency will support the hotel's image Increasing management efficiency will increase customer loyalty Handling operational problems will increase customer satisfaction Handling operational problems will increase service quality Handling operational problems will support the hotel's image Improving new products and services will support the hotel's image
Customer - Finance	Increasing management efficiency will increase EBITDA High quality services will increase net sales Increasing management efficiency will increase profitability Improving new products and services will increase net sales Minimizing operational problems will increase profitability Handling operational problems will decrease costs Increase in customer satisfaction will increase net sales

Increase in service quality will decrease costs  
 Increase in service quality will increase EBITDA  
 Improvement in hotel's image will increase net sales

Reliability of data was tested by using Cronbach's  $\alpha$ , which was 0.94. Based on this result, the internal consistency and the reliability of the questionnaire were satisfied. The Kolmogorov-Smirnov test was applied to check normality of distribution of the sample. It was seen that with a significance level less than 0.05, the sample did not show normal distribution. SPSS environment was applied to examine the frequency distribution of the data. The frequency distribution of the combined questions is shown in Table 3.

Table 3. The frequency (F) distribution of the combined questions

	High		Moderate		Low Moderate		Low		None	
	F	%	F	%	F	%	F	%	F	%
Learning and Growth - Internal Processes	17	28.3	22	36.7	21	35.0	0	-	0	-
Learning and Growth- Customer	23	38.3	35	58.3	2	3.4	0	-	0	-
Learning and Growth - Finance	9	15.0	19	31.7	30	50.0	2	3.3	0	-
Internal Processes - Customer	13	21.7	11	18.3	36	60.0	0	-	0	-
Internal Processes – Finance	17	28.3	16	26.7	25	41.7	2	3.3	0	-
Customer - Finance	25	41.7	12	20.0	21	35	2	3.3	0	-

As seen in Table 3, the strongest relationship exists between Customer and Finance with a rate of 41.7%, while the weakest relationship is between Learning & Growth and Finance with a rate of 15% considering the high frequency column. When the percentage totals of linkages of high and moderate columns are taken into account, learning and growth has a very strong effect on customer with 96.6%. It is an important finding for management to focus on. The effect of learning and growth on internal processes is 65% while internal process affects finance by 55%. These findings need further research to develop useful action plans for management. Based on the frequency distribution of the questionnaire responses, it is also seen that the four dimensions of BSC have high influence on each other and all of them are positively related.

The frequency and percentages of the answers given by managers on the subject of the importance level regarding the perspectives are shown in Table 4. Based on the answers given by managers, it is seen that the financial perspective has first priority with 41.7%, followed by customer perspective with 35%. The rate for internal processes is 18.3% and learning and growth takes only 5%. This demonstrates that in the performance evaluation process financial and customer perspectives are the most important factors in the hotel industry. It is also observed that general managers and financial managers choose financials as the most important perspective in performance evaluation while sales and marketing managers consider the customer perspective as the most important.

Table 4. Manager positions and importance level of perspectives

Position	Finance		Customer		Internal Processes		Learning & Growth		Total	
	F*	%	F	%	F	%	F	%	F	%
General Manager	13	65	1	5	6	30	0	0	20	100
Marketing Manager	4	20	13	65	0	0	3	15	20	100
Finance Manager	8	40	7	35	5	25	0	0	20	100
Total	25	41.7	21	35.0	11	18.3	3	5.0	60	100

\*F: Frequency

#### 4. Conclusion

The purpose of this study was to identify the main goals under the BSC perspectives and find the strength of relationships between the perspectives. It also determines the points of view of managers about the ranking of the BSC perspectives. This study is based on a survey of luxury summer hotels located around Antalya and Bodrum in Turkey. This region is an important tourism center where most of the revenue from the hospitality industry is created.

In this study large and institutionalized hotels were included in the sample to obtain the most meaningful responses. After some preliminary research, it was concluded that 20 hotels in the region could supply the necessary information for this study.

The survey had two stages; in the first stage the main goals under each perspective of the BSC and the views of the managers related to ranking of the perspectives were identified by means of the first questionnaire. In the second stage the strength of relationship among the perspectives and level of impact on each other was investigated.

The results of the analysis show that the financial perspective has the highest priority for all managers. It is followed by the customer perspective. Internal processes and the learning and growth dimensions follow the others. When moderate priorities are added onto the highest priorities, learning and growth dimension has a very strong effect on customer. It is an important finding for management to focus on. The effect of learning and growth on internal processes and also the effect of internal processes on finance need to be investigated.

When the managerial positions of the respondents is taken into account, it is seen that general managers and finance managers give highest importance to the financial perspective in performance evaluation while the sales and marketing managers care predominantly about the customer perspective.

The other results of the analysis show that the strongest correlation exists between Customer and Finance with a rate of 41.7%, while the weakest correlation is seen between Learning & Growth and Finance with a rate of 15%. Also, findings of the survey indicate that the performance evaluation measures have high influence on each other and all of them are positively correlated.

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