

**Implementation of the Balanced Scorecard as an effective performance
measurement system in star-class hotels in Sri Lanka**

By

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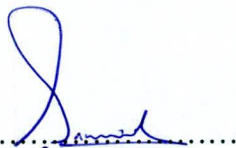
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A research submitted to the University of Sri Jayewardenepura in partial fulfillment of the requirements for the Degree of Master of Business Administration on Finance.

The work described in this research was carried out by me under the supervision of Dr. Dileepa N. Samudrage and a report on this has not been submitted in whole or in part to any university or any other institution for another Degree/ Diploma.

A handwritten signature in blue ink, consisting of a large loop followed by a series of smaller, connected strokes, positioned above a horizontal dotted line.

H. M. S. R. Dayabandara

I certify that the above statement made by the candidate is true and that this research is suitable for submission to the University for the purpose of evaluation.



Dr. Dileepa N. Samudrage

Date: 31 - 05 - 2015

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Abbreviations

BSC	- Balanced Scorecard
CBSL	- Central Bank of Sri Lanka
CSF	- Critical success factors
DMC	- Distance management companies
FIT	- Free individual traveler
GDP	- Gross domestic production
IT	- Information Technology
SBSC	- Sustainable balanced Scorecard
SLTDA	- Sri Lanka Tourism Development Authority

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ABSTRACT

The aim of the study is to examine how balanced scorecard is developed and implemented as an effective organizational performance measurement system in star-class hotels in Sri Lanka. Hotel sector is one of rapidly growing industry in Sri Lanka playing a significant role in national economy. The identification of hotel industry performance is essential to understand the direction of the industry. Therefore hotel industry performance was identified with one of well accepted performance measurement tool; BSC which considers important four perspectives of performance measures.

The mixed method was used for the study using research tool of multiple case study method. Questionnaire, interviews and documentary reviews were used to gather data for the study.

The study identified that many hotels concern more about financial and customer perspectives when measuring hotel performances and low attention was given to internal business and innovation and learning perspectives. Interviews raised the ability of star-class hotels to apply BSC as a tool of organizational performance measurement while addressing some of the matters related to implementation. Based on interviews and related literature, BSC implementation process was developed specially applying to star-class hotels in Sri Lanka. The study suggests properly developed balanced scorecard based

performance measurement system will contribute to generate more accurate information and drive the business to the success.

Key Words: Balanced Scorecard, Performance Measurement, Star-class Hotels in Sri Lanka

Chapter One

Introduction

1.1 Background of study

Hotel sector is one of the rapidly growing industries in Sri Lanka playing a significant role in national economy. It contributes rupees 69,105 million to the gross domestic production (GDP) and which is 0.796% to the total GDP in the year 2013 (CBSL Annual report, 2013). During the recent decades especially during the pre and post conflict period, the tourism industry has become an effective source for monetary gains and economic growth (Karunaratne and Jayawardena, 2010).

Based on year 2013 annual report of Central bank of Sri Lanka, hotels and restaurants industry contributes 1.4% to total service sector (Annexure 1). Although it has a low contribution to the gross domestic production, it shows a massive growth during the last five years. For instance from 2010 to 2013 the hotel sector has recorded a growth of 33%, 33%, 31% and 19% respectively. Therefore the hotel sector is very important growing element in the national economy. Further it was evident that the industry was identified by Central Bank of Sri Lanka as one of Hub activities to achieve sustainable growth in Sri Lanka.

There are 2,075 registered hotels and restaurants in Sri Lanka by 2013 with a total room capacity of 16,223. During the year 2013, the industry has reported annual occupancy ratio of 71.7%. (CBSL annual report, 2013). Further the industry contributed to direct

employment of 112,550 workers and indirectly 157,600 employment opportunities during the year 2013.

As a result of post –conflict growth momentum, the country attracted more than 1.2 million guest arrivals in the year 2013. Even though the estimated arrivals was 950,000 in the year 2012, it recorded 1,005,605 with the growth of 18% compared to previous year. When identifying the tourist arrivals in terms of the region, Western Europe contributes 37% while South Asian remains at second with the contribution of 25% in 2012. With regard to the arrivals from individual countries, India remaining at the leading source of arrivals. Other major tourist arrivals come from UK, Germany, France and Australia respectively.

Earnings from the tourism increased substantially due to increase in arrivals and increase in average spending per guest in 2012. Earning from tourism industry for the year 2012 was US \$ 1,039 million compared to US \$ 830 million reported in previous year. Further average spending by guest per night increased to US \$ 103 in 2012, from US \$ 97 in 2011.

Sri Lanka Tourism Development Authority (SLTDA) took strategic initiatives to attract 2.5 million guest arrivals with the target revenue of US \$ 2.75 billion in 2016. Further industry wide investments were made to enhance capacity by introducing new tourist zones in Kalpitiya, Kuchchaweli and Yala under different themes. International hotel chains such as Shangri-La Asia, Hyatt, Movenpick and Sheraton also expected to start