CHAPTER VI

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CHAPTER VI

SUMMARY OF THE FINDINGS, SUGGESTIONS AND CONCLUSION

6.1 Introduction

The focus of the present study has been on performance appraisal by applying the Balanced Scorecard approach on the perception of 365 sample respondents selected by random sampling basis from three and four star hotels based in Karnataka. The test on indicators of performance appraisal in order to identify key performance indicators was conducted by making comparative analysis of the perceptions of the financial and non-financial measures score, relationships of “learning and growth perspective”, “internal business processes perspective”, “the customer perspective” and “the financial perspective” to the Balanced Scorecard approach in. The number of sample respondents for the present study consisted of 89 top managers, 95 senior managers, 89 finance managers and 92 front managers. The study included the perceptions on four components of the Balanced Scorecard approach: learning and growth, internal business processes, the customer and the financial perspectives.

The specific objectives of the study are as follows:

- To study the strategies adopted by the Indian hotel industry in performance appraisal.
- To study the key performance indicators practised in the hotel industry in India.
- To study the importance of the Balanced Scorecard approach in performance appraisal in the hotel industry in Karnataka.
- To examine the importance of the Balanced Scorecard approach in performance appraisal of star hotels in Karnataka.
- To examine the degree of inter-relationship between financial measures and non-financial measures that drive future performance outcomes of hotel services.
- To give suggestions for performance scorecard to achieve a balance between financial and non-financial performance measures in the hotel industry.
The hypotheses formulated for testing in this study were as follows:

- Indicators of performance appraisal in star hotels in Karnataka is exclusively based only on financial measures,
- There is a positive relationship of learning and growth perspective to the Balanced Scorecard approach in hotels,
- There is a positive relationship of internal business processes perspective to the Balanced Scorecard approach in hotels,
- There is a positive relationship of the customer perspective to the Balanced Scorecard approach in hotels, and
- There is a positive relationship of the financial perspective to the Balanced Scorecard approach in hotels.

The research methodology of the present study involved the use of both primary and secondary data. The secondary data provided a springboard to getting updated on the research topic with a focus on theoretical dimensions of the BSC and empirically test conclusions on one hand and the research methodologies adopted by various researches from the viewpoint of key performance indicators related to performance appraisal on the other. The primary data was collected through a structured questionnaire which was based on a pilot survey. The five-point Likert scale questionnaire instrument has been used in the present research. The questionnaire consisted of three sections. The first section sought survey on identifying the Key Performance Indicators (KPI) s of the hotel industry and then the KPIs were identified by applying the factor analysis tool on the data collected through the questionnaire. The second section referred to the foundation of the initial hierarchical structure previously established in the design of questionnaires under the Analytic Hierarchy Process (AHP) method in order to evaluate the appropriateness and importance of each dimension measurement and evaluation indicator and contained multiple choice questions which made it possible to identify the performance measures commonly used by hotel industry. The third section of the questionnaire sought the opinions of the respondents regarding the measurement of performance within the sector and focused on the BSC application in performance measurement in star hotels.
A sample of all 92 three and four star hotels in Karnataka state, India was selected for purpose of this study. The sample had valid responses from over 82 percent of those surveyed, representing a satisfactory response rate. The hotels also were in all size categories ranging from under 30 rooms to 200 rooms (very large hotels of over 200 rooms are not represented in the region). The study used various statistical methods for analyzing the collected data. The study also used one-sample t-test to test differences between the Mean of the responses of every perspective and the Average Mean. One Sample T-Test was applied to check the difference between the Mean of the sample and individual responses about every measure of the four Perspectives. Pearson correlation coefficient was used, to find the validity of Internal Consistency by the correlation between every statement and its perspective. To test the hypothesis, the Pearson Correlation coefficient has been computed between the degrees of every perspective and the total degree of all the BSC. The study attempted to examine the various measures by applying Analytic Hierarchy Process (AHP) proposed by Satty, as an approach for decision making that involves structuring multiple choice criteria into a hierarchy, assessing the relative importance of these criteria, comparing alternatives for each criterion, and determining an overall ranking of the alternatives on the basis of measures. Regression estimates the coefficients, involving one or more independent variables that best predict the value of dependent variables. Linear Regression, to test the effect of every perspective on the total degree of the questionnaire was applied. Linear Regression Analysis has been used to study the effect of Learning and Growth Perspective on the Internal Business Processes Perspective and effect of Internal Business Processes Perspective on the Customers Perspective and the effect of Customers Perspective on the Financial Perspective, and to know the relative importance of the whole Balanced Scorecard in hotels.

6.2 Testing of the Hypothesis

Hypothesis 1:

\textbf{H1: Performance appraisal in the Karnataka star Hotels is exclusively based only on financial measures.}

This hypothesis tested the performance appraisal in the Karnataka star hotels exclusively based on financial measures. To test hypothesis 1, the Analytic Hierarchy Process (AHP) method was used for the hotel industry and excels to drive the value
(7.4) of screening criteria. Therefore, 12 criteria were eliminated and only 16 were retained for Kay Performance Indicator (KPI), accounting for 57.14% of the total evaluation criteria. According to the screening results, the strategic hierarchical structure of KPI should improve the operating performance of hotels. Chart 6.1 shows the summary of the evaluation factors for the dimensions of the BSC.

Chart 6.1

Summary of evaluation factors for the dimensions of the BSC

<table>
<thead>
<tr>
<th>Performance indicators according to BSC perspectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
</tr>
<tr>
<td>1. Net profit ratio</td>
</tr>
<tr>
<td>2. Return on Investment</td>
</tr>
<tr>
<td>7. Average room occupancy/rate</td>
</tr>
</tbody>
</table>

Hierarchical structure

According to the obtained results using the AHP method and development of indicators by hierarchical structure in table 6.1 the arragement of every of the four aspects of BSC indices, in priority for achieving the main goal of research was determined. This survey determined the relative importance (weight) between the two factors using pair-wise questions among sixteen representative measures. Weights were computed for each set of paired comparisons that were made. The weights for each set of comparisons are referred to as local weights, and the overall weights for the decision model as global weights.
Table No 6.1
Analysis of the weights of BSC measures with AHP method

<table>
<thead>
<tr>
<th>Perspective</th>
<th>Weighting</th>
<th>Criteria</th>
<th>Relative weighting</th>
<th>Global weights</th>
<th>Ranks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>0.239</td>
<td>Return on Investment</td>
<td>0.253</td>
<td>0.055</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Average room occupancy/rate</td>
<td>0.231</td>
<td>0.054</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Revenue per Available Room</td>
<td>0.259</td>
<td>0.065</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Net profit ratio</td>
<td>0.257</td>
<td>0.057</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Customer retention</td>
<td>0.244</td>
<td>0.070</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Customer Satisfaction</td>
<td>0.262</td>
<td>0.074</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hotel image and reputation</td>
<td>0.255</td>
<td>0.072</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Number of customer complaints</td>
<td>0.239</td>
<td>0.064</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td></td>
<td>On-time deliveries</td>
<td>0.258</td>
<td>0.056</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reservations Efficiency</td>
<td>0.257</td>
<td>0.059</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Service quality</td>
<td>0.263</td>
<td>0.073</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Productivity and cost reduction</td>
<td>0.222</td>
<td>0.049</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Employee Capabilities</td>
<td>0.267</td>
<td>0.071</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Employee satisfaction</td>
<td>0.232</td>
<td>0.062</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Employees’ continuity</td>
<td>0.253</td>
<td>0.068</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Employee educational training</td>
<td>0.248</td>
<td>0.066</td>
<td>7</td>
</tr>
</tbody>
</table>

Source: Survey Data

Each set of local weights sum up to 1.00, as do the global weights. The final result of the importance rating (relative weight) revealed that the customer perspective was considered the most important (27.40%) among the four sixty given performance measure areas by the BSC, followed by learning and growth (26.60%), financial (23.90%), and internal business process perspectives (22.10%). The results of the study also indicated that the customer dimension was the strongest among other drivers when evaluating a hotel’s performance. Thus this result indicated that the hypothesis is **rejected**, because non-financial measures such as customers, employees and internal business process also are important. Therefore, performance appraisal in the hotels should not only focus on financial measures, but also emphasize the other metrics. The better the performance of other constructs, the better the financial results. Both Financial and Non-financial measures were widely used for measuring performance of hotels.

There is a causal relationship between the four perspectives involved in this approach. The aim is to determine which sub-factors influence the four perspectives.
and their corresponding sub-factors, with the goal of establishing a more comprehensive performance evaluation framework for hotel industry. The relationship between each factor and its sub-factors is considered. With this methodology we are able to consider multiple criteria at the same time. It also helps the decision maker to estimate the best choice, by sorting a limited number of cases according to their characteristics. The sub-factors for the four perspectives were found by collecting and analyzing data. Kaplan and Norton (2004) proposed “there is a causal relationship between the four perspectives of the Balanced Scorecard approach”. If, financial results are the ultimate goal of any business enterprise, learning and growth serve as the foundation.

The results from the financial metrics are lagging indicators, whereas the results from learning and growth, internal processes and customers are the leading indicators. Thus, financial performance can be improved by focusing on learning and growth, internal processes and customers (Kaplan and Norton, 2001). Kaplan and Norton (2004) suggest showing the interrelation between the four perspectives that can be shown on a strategy map, since financial goals can be attained by making sure that the target customers are satisfied, it is imperative to identify areas of value creation for the customer, ways to generate sales and increase customer loyalty. Internal processes are an important aspect of value creation, and learning and growth is an important intangible component of this. Learning and growth is positively correlated to internal processes. Furthermore, internal processes are positively correlated with customers and finance, and customers are positively correlated with finance.

Hypothesis 2:

**H2: There is a positive relationship of learning and growth perspective to the Balanced Scorecard approach in hotels.**

This hypothesis tested the relationship of learning and growth perspective to the Balanced Scorecard approach in Karnataka’s star hotels. To test Hypothesis 2, regression analysis was used to study the effect of Learning and Growth perspective on the total degree of the Balanced Scorecard approach, and to know the relative importance of the Learning and Growth Perspective to the whole Balanced Scorecard. As exhibited in table 6.2
The result obtained shows that, there is a positive relationship of organizational HR in learning and growth perspective to the Balanced Scorecard approach in Karnataka’s star hotels. By reviewing Table 1.5, it is seen that sig = 0.001 < 0.05 and the value obtained in 318.2 at level 5% of significant, which was statistically significant. So, Hypothesis 2 is accepted.

On the other hand, the Learning and Growth Perspective has a significant effect on the Balanced Scorecard as a whole, and that the Learning and Growth Perspective, as an independent variable, has interpreted 62.0% from the total variation of the Balanced Scorecard, since( R=0.79, R^2 =0.62 ). It has been found that there is a strong, direct and significant relation between the Learning and Growth Perspective degree and the total degree of the Balanced Score Card. This means that whenever the degree of the Learning and Growth Perspective increases, the total degree of the BSC also increases and vice versa. From this Table we see a regression equation helps in predicting the BSC degree.

The degree of Learning and Growth Perspective is as follows:

BSC = 58.6 + 3.4(Learning and Growth perspective)

(t=15.4, P<0.05) and (t=34, P<0.05).

From the equation it is concluded that when the Balanced Scorecard increases by one degree, the Learning and Growth Perspective increases by 3.4 degrees.
Hypothesis 3:

*H3: There is a positive relationship of internal business processes perspective to the Balanced Scorecard approach in hotels.*

This hypothesis tested the relationship of Internal Business Processes and the Balanced Scorecard approach in Karnataka star hotels. To test Hypothesis 3, regression Analysis was used to study the effect of Internal Business Processes Perspective on the total degree of the Balanced Scorecard, and to know the relative importance of the Internal Business Processes Perspective to the whole Balanced Scorecard as shown in table 6.3.

<table>
<thead>
<tr>
<th>Model</th>
<th>Un-standardized coefficients</th>
<th>Standardized coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>( Constant )</td>
<td>45.4</td>
<td>4.6</td>
<td>9.8</td>
<td>0.003</td>
</tr>
<tr>
<td>Internal-Business Processes</td>
<td>2.3</td>
<td>0.2</td>
<td>0.74</td>
<td>11.5</td>
</tr>
</tbody>
</table>

F (1,164) 877.5

Dependent variable: The Balanced Scorecard

The result shows that, there is a positive relationship of Internal Business Processes perspective to the Balanced Scorecard approach in Karnataka star hotels. By reviewing Table 6.3, it is seen that sig = 0.002 < 0.05, and the value obtained in 877.5 at level 5% of significant, which was statistically significant. Hence, Hypothesis 3 is **accepted**.

On the other hand, the Internal Business Processes Perspective has a significant effect on the Balanced Scorecard as a whole, and that the Internal Business Processes perspective, as an independent variable, has interpreted 55.0% from the total variation of the Balanced Scorecard, which is the highest effect, since(R=0.74, \( R^2 =0.55 \)). It has been found that there is a strong, direct and significant relation between the Internal Business Processes Perspective degree and the total degree of the Balanced Scorecard. This means that whenever the degree of the Internal Business Processes
Processes Perspective increases, the total degree of the BSC increases also and vice versa.

From this Table we see a regression equation helps in predicting the BSC degree by knowing the degree of Internal Business Processes perspective as follows:

\[ \text{BSC} = 45.4 + 2.3(\text{Internal Business Processes perspective}) \]

(t=11.5, P<0.05) and (t=9.8, P<0.05).

From the equation it is concluded that when the Balanced Scorecard increases by one degree, the Internal Business Processes Perspective increases by 2.3 degrees.

**Hypothesis 4:**

**H4: There is a positive relationship of the customer perspective to the Balanced Scorecard approach in hotels.**

This hypothesis tested the relationship of the customer perspective to the Balanced Scorecard approach in Karnataka’s star hotels. To test Hypothesis 4, regression Analysis was used to study the effect of Customers Perspective on the total degree of the Balanced Scorecard, and to know the relative importance of the Customers Perspective to the whole Balanced Scorecard as shown in table 6.4.

<table>
<thead>
<tr>
<th>Table No .6.4</th>
<th>Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>Un-standardized coefficients</td>
</tr>
<tr>
<td></td>
<td>B</td>
</tr>
<tr>
<td>1 ( Constant )</td>
<td>45.3</td>
</tr>
<tr>
<td>Customer Perspective</td>
<td>3.8</td>
</tr>
<tr>
<td>F (1.162)</td>
<td>345.7</td>
</tr>
<tr>
<td>Dependent variable: The Balanced Scorecard</td>
<td></td>
</tr>
</tbody>
</table>

The result shows that, there is a positive relationship of the Customer perspective to the Balanced Scorecard approach in Karnataka’s star hotels. By reviewing Table 6.4, it is seen that sig = 0.001 < 0.05, and the value obtained in 345.7 at level 5% of significant, so, Hypothesis 4 is **accepted.**
This means that the Customer’s Perspective has a significant effect on the Balanced Scorecard as a whole, and that the customers perspective as an independent variable has interpreted 69.0% from the total variation of the Balanced Scorecard, since $R^2 = 0.69$. It has been found that there is a strong, direct and significant relationship between the Customers Perspective degree and the total degree of the Balanced Scorecard. This means that whenever the degree of the Customers Perspective increases, the total degree of the BSC also increases and vice versa.

From this table we can see a regression equation that helps in predicting the BSC degree by knowing the degree of Customers Perspective as follows:

$$BSC = 45.3 + 3.8 \times \text{(customers perspective)}$$

(t=6.1, P<0.05) and (t=38.0, P<0.05).

From the equation it is concluded that when the Balanced Scorecard increases by one degree, the Customers Perspective increases by 3.8 degrees, and vice versa. This proves the researcher's hypothesis about the strong effect of the customer perspective on the balanced performance of the hotels.

**Hypothesis 5:**

**H5: There is a positive relationship of the Financial Perspective to the Balanced Scorecard approach in hotels.**

This Hypothesis tested the relationship of the financial perspective to the Balanced Scorecard approach in Karnataka star hotels. To test hypothesis5, regression analysis was used to study the effect of financial perspective on the total degree of the Balanced Scorecard, and to know the relative importance of the Financial Perspective to the whole Balanced Scorecard as shown in table 6.5.

<table>
<thead>
<tr>
<th>Model</th>
<th>Un-standardized coefficients</th>
<th>Standardized coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>( Constant )</td>
<td>92.7</td>
<td>10.7</td>
<td>8.6</td>
</tr>
<tr>
<td></td>
<td>Financial Perspective</td>
<td>3.1</td>
<td>0.2</td>
<td>0.69</td>
</tr>
<tr>
<td>F (1.166)</td>
<td></td>
<td>124.6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Dependent variable: The Balanced Scorecard
The result from Table 6.5 shows that, there is a positive relationship of the Financial Perspective to the Balanced Scorecard approach in Karnataka star hotels. It is seen that sig = 0.002 < 0.05, and the value obtained in 124.6 at level 5% is significant, which was statistically significant. Hence, the study accepted the Hypothesis 5.

This means that the Financial Perspective has a significant effect on the Balanced Scorecard as a whole, and that the Financial Perspective, as an independent variable, has interpreted 47% from the total variation of the Balanced Scorecard, since(R=0.69, \( R^2 =0.47 \)). It has been found that there is a strong, direct and significant relation between the Financial Perspective degree and the total degree of the Balanced Score Card. This means that whenever the degree of the Financial Perspective increases, the total degree of the BSC increases also and vice versa.

From this table one can form a regression equation to help in predicting the BSC degree by knowing the degree of Financial Perspective as follows:

\[
BSC = 92.7 + 3.1(\text{Financial perspective})
\]

\((t=15.5, P<0.05)\) and \((t=8.6, P<0.05)\).

From the equation one can conclude that when the Balanced Scorecard increases by one degree, the Financial Perspective increases by 3.1 degrees, and vice versa. This proves the researcher's fifth hypothesis about the significant effect of the financial factors on the Balanced Scorecard results and agrees with Kaplan and Norton’s studies (1992, 1993 and 2000).

**6.3 Major Findings to the Study**

1) In the context of the hotel business accommodation was, in all size categories ranging from under 30 rooms to 200 rooms (very large hotels of over 200 rooms are not represented in the region). Of the respondents, two thirds were from chain hotels and one third from independently owned hotels, which also tend to be smaller.

2) A majority of the respondents were of three star hotels and the sample respondents numbered 67 representing 81% of the total sample respondents. The respondents of four star hotels and the sample respondents numbering 23 represented 81% of the total sample respondents.
3) The first group of the respondents consisted of 91 general managers which comprised 24% of total sample respondents of three star hotels. Next in the respondents were 98 senior managers comprising 26%, while the third respondents were, second level 188 front or finance managers which covered 50% of the total number of number of respondents from three star hotels.

4) The first group of the respondents had 39 general managers representing 25% of the total number of respondents of four star hotels. The second group of the respondents was 42 senior managers presenting 24% and the third group of the respondents were 82 front or finance managers that represented 51% of the total number of respondents of three star hotels.

5) Amongst male employees, in the three star hotels the percentage of general managers, senior managers and finance managers stood at 90%, 91% and 92% respectively, while in the four star hotels the percentage of general managers, senior managers and finance managers stood at 89%, 88% and 91% respectively.

6) Amidst female, in the three star hotels the percentage of general managers, senior managers and finance managers stood at 10%, 9% and 8% respectively, while in the four star hotels the percentage of general managers, senior managers and finance managers stood at 11%, 12% and 9% respectively.

7) A majority of the respondents were bachelor degree holders and their number stood at representing 40% as against professionals numbering 92 and representing 25%, master degree holders numbered 88 and represented 24% while others numbered 37 and represented 10%.

8) Among bachelor’s degree, in the three star hotels the percentage of general managers, senior managers and front managers stood at 46%, 49% and 51% respectively, while in the four star hotels the percentage of general managers, senior managers and front managers stood at 9%, 18% and 32% respectively.

9) As for professional degrees, in the three star hotels the percentage of general managers, senior managers and front managers stood at 25%, 21% and 20% respectively, while in the four star hotels the percentage of general managers, senior managers and front managers stood at 42%, 34% and 24% respectively.

10) Among the masters degree, in the three star hotels the percentage of general managers, senior managers and front managers stood at 22%, 20% and 17%
respectively, while in the four star hotels the percentage of general managers, senior managers and front managers stood at 34%, 42% and 34% respectively.

11) Amidst other degrees, in the three star hotels the percentage of general managers, senior managers and finance managers stood at 7%, 10% and 12% respectively, while in the four star hotels the percentage of general managers, senior managers and finance managers stood at 15%, 6% and 10% respectively.

12) The study found out that, employee respondents selected for the survey comprised 50% from star hotels, with the remaining employees were working in other hotels in Karnataka.

13) The survey revealed that 48% of the employees had completed 20 years of experience, 39% of the employees had experience of more than ten years, while the rest of them were new fresh entrants.

14) There are sixteen important factors identified to measure the performance of services in the hotels. These factors are: Net profit ratio, Return on Investment, Average room occupancy/rate, Revenue per Available Room, Customer Satisfaction, hotel image and reputation, Customer retention, Number of customer complaints, Reservations Efficiency, Service quality, Productivity and cost reduction, On-time deliveries, Employee Capabilities, Employee satisfaction, Employees’ continuity, and Employee educational training. These sixteen factors later acted as Key Performance Indicators for the hotels to evaluate their performance.

15) These sixteen factors were further categorized into 4 categories as: Factors contributing to customers, Factors contributing to financial aspects, Factors contributing to Internal-business-process and Factors contributing to learning and growth perspectives.

16) It is concluded that customer perspective is one of the leading perspectives which is considered important by all the hotels for measuring their performance based on nonfinancial measure. In the context of this perspective, the four Factors contributing to Customer perspective ranked; customer satisfaction (1), hotel image and reputation (3), customer retention (5), number of customer complaints (9), have been considered.
17) It is concluded that Financial perspective is one of the lagging perspectives which is considered important by all the hotels for measuring their performance based on the financial measure. In the context of this perspective, we have considered, the four Factors contributing to financial perspective which are ranked; Net profit ratio (12), Return on Investment (14), Average room occupancy/rate (15), and Revenue per Available Room (8).

18) It is concluded that Internal-business-process perspective is one of the leading perspectives considered important by all the hotels for measuring their performance based on nonfinancial measure. In the context of this perspective, we have considered, the four Factors contributing to Internal-business-process perspective ranked as; Reservations Efficiency (11), Service quality (2), Productivity and cost reduction (16), and On-time deliveries (13).

19) It is concluded that Learning and growth perspective is one of the leading perspectives which is considered important by all the hotels for measuring their performance based on non-financial measures. In the context of this perspective, we have considered, the four Factors contributing to learning and growth perspective ranked; Employees’ continuity (6), Employee Capabilities (4), Employee satisfaction (10), Employee educational training (7).

20) The final result of the importance of rating (relative weight) revealed that the customer perspective was considered the most important (27.40%) among the four given performance measures areas by the BSC, followed by learning and growth (26.60%), financial (23.90%), and internal business process perspectives (22.10%).

21) The findings of the research show that all hotels use a combination of financial and non-financial performance measures but the pattern and significance differs from hotel to hotel. The researcher believes that the non-financial measures are the first to be affected and also give an early indication of any trend.

22) In assessment of the application of the performance measures of organizational Human Resource in learning and growth perspective in both categories of star hotels, the percentage stood at 65%.

23) In evaluation of using the performance measures of service quality in Internal Business Process perspective, the percentage was placed at 68%.
24) In assessment of use of the performance measures in customer perspective, the percentage was located at a relative weight of 66%.

25) In reflecting on the evaluation of the key performance indicators used to measure inter-relationship in learning and growth perspective in the hotels, the percentage was placed at a relative weight of 69.70%.

26) In assessment of key performance indicators used to measure inter-relationship in Internal Business Processes perspective, the percentage stood at a relative weight of 68%.

27) In stress the importance of key performance indicators to measure inter-relationship in customer perspective, the percentage was at a weight of 65.76%.

28) In assessment of the application key performance indicators to measure inter-relationship in financial perspective, the percentage lay at a weight of 61.70%.

29) It is also concluded that the relation between the customer perspective and the whole Balanced Scorecard equals the following equation: \[ BSC = 45.3 + 3.8 \times \text{Customer perspective} \] It means that when the Balanced Scorecard increases by one degree, the Customers Perspective increases by 3.8 degrees, and vice versa.

30) It is also concluded that the relation between the Internal Business Processes perspective and the whole Balanced Scorecard equals the following equation: \[ BSC = 45.4 + 2.3 \times \text{Internal Business Processes perspective} \] It means that when the Balanced Scorecard increases by one degree, the Internal Business Processes Perspective increases by 2.3 degrees, and vice versa.

31) It is also concluded that the relation between the Learning and Growth perspective and the whole Balanced Scorecard equals the following equation: \[ BSC = 58.6 + 3.4 \times \text{Learning and Growth perspective} \] this means that when the Balanced Scorecard increases by one degree, the Learning and Growth Perspective increases by 3.4 degrees, and vice versa.

32) It is also concluded that the relation between the Financial perspective and the whole Balanced Scorecard equals the following equation: \[ BSC = 92.7 + 3.1 \times \text{Financial perspective} \] It means that when the Balanced Scorecard
increases by one degree, the Learning and Growth Perspective increases by 3.1 degrees, and vice versa.

33) Both the financial and non-financial measures were considered important by three star hotels (95%) and four star hotels (97%) for measuring and managing their performance, but there is a need to strike a balance between financial and non-financial measures.

34) The hotels from three stars and four stars were found to be quite aware about various performance measurement system based on financial as well as non-financial measures. The three star hotels are more aware about various performance measurement systems under financial measures as compared to four star hotels. However, under non-financial measures, respondents hotels from both the sectors were equally aware about various performance measurement system used by their hotels for measuring their performance.

35) Doing this research the scholar was able to describe the Balanced Scorecard approach to performance measurement and to assess its theory, the Balanced Scorecard was developed by Kaplan and Norton as a set of performance measures to provide managers with a comprehensive view of the organization, reliable feedback for management control purposes and performance evaluation. The Balanced Scorecard consists of two types of performance measures. The first are financial measures to describe past actions and the second are non-financial measures on customer satisfaction, internal business processes, and learning and growth activities. This indicates that the measures of this approach represent a balance between external measures for shareholders and customers, and internal measures for critical business processes, learning and growth. These measures are balanced between the outcome measures and the measures that drive future performance.

36) As a performance appraisal of the hotel industry is concerned, it is observed that the hotels have not adopted the new mechanism of the BSC approach to evaluate performance. All the respondents of the managerial cadre were of the opinion that they are not given due importance to evaluate the real performance appraisal, which apparently ignores customer centric hotel servicing.
37) The star hotels in Karnataka evanesce in the transformation of their traditional appraisal from Balanced Scorecard strategy to the global market especially after economic reforms.

38) Creation of World Class hotel through proper performance appraisal system: Global corporations today expect their hoteliers to have the expertise in evaluation. Hotel do need greater resource base and presence across a wide range of markets to satisfy their corporate customers and therefore, the necessary environment must be created to enable the development of institutions with the size and resources to compete globally.

6.4 Some Major Suggestions

1) The research findings of this study can function as precise criteria with respect to the future development of policies of hotels in Karnataka and help upgrade their operational performance and sustain their competitive advantages. Therefore, in order to increase operational performance, hotels must not focus simply on the financial aspects valued traditionally, but must also make efforts to satisfy customers, carry out internal business procedures, and implement training and growth programmes, which are the non-financial aspects of organizations.

2) It is suggested that hotels can refer to the key factors when they develop corporate strategies to create a competitive advantage.

3) It is concluded that the Key Performance Indicators or Factors suggested in the research must be applied in hotels for evaluation. The nomenclature of these suggested factors could be changed as per the need of various hotels.

4) The study shows that both the three and four star hotels accorded more importance to various perspectives such as Financial Perspective, Customers’ Perspective, Internal Business Process Perspective, Learning and Growth perspective while introducing performance measurement systems. The result indicates that weighted average scores of Customer Perspective were on the higher side with regard to all the perspectives. It means Customer Perspective gave more significance to these listed perspectives as compared to hotels. Therefore, it is suggested that hotels should give more significance to all the perspectives (financial and non-financial) while introducing performance measurement system for measuring and managing their performance.
5) There has been a great surge in efficient customer services. Hotels from both three and four star should focus on customer service because a highly satisfied and delighted customer is a vital non-financial asset for the hotels and particularly other perspective measures which support that in a competitive environment. Customer perspective is one of the major perspectives of performance. Regarding various listed measures of customer perspective, hotels should concentrate on giving more importance to measures like customer satisfaction level, customer retention, market share, market penetration, staff speed and responsiveness for customer, staff skill and competence to handle customer, and customer complaints and grievances, multiple delivery channels and customer erosion rate to regain its earlier position.

6) It is suggested that star hotels should realize the importance of striking a balance (assigning weights) between financial and non-financial measures, because their emphasis is on financial and nonfinancial measures while measuring and managing their performance.

7) One important suggestion of this research is to utilize the Balanced Scorecard approach in measuring the performance of the hotel industry as well as in strategic planning and management.

8) It is suggested that hotels need to pay more attention to various indicators when various measures of employee productivity are considered. It also suggested that they should focus their attention on the welfare of their employees to attract loyalty, commitment and satisfaction. The hotel industry in India has undergone radical changes due to measures of liberalization and globalization undertaken since 1991. Ultimately, employee efficiency results in generating more business for the hotels.

9) It is suggested that hotels should conduct various training and development programmes to enhance the skill of their employees as well as their welfare. Training and development of an employee is an integral part of learning and growth perspective. So, star hotels are competing with each other with regard to various measures of growth like employee skill development and business strategy.
10) It is suggested that time and effort be invested in developmental initiatives for hotel employees besides training activities. In this way gaps could be filled for supervisory and managerial skill training. Such investments will also help in branding hotels as an employer of choice and will attract talent other brands.

11) It is concluded that training programmes attended by the employees should have linkage with performance appraisal and career development process.

12) It is advised that their Human Resource department be instrumental in establishing linkage to the performance during training to the performance appraisals.

13) It is of good benefit that human resource can take a role in the beautification and appearance of the back office. Some motivational as well as safety quotes can work wonders in the day to day working life of employees. HR can take the initiative in making such changes. Safety boards at entry and exit locations are suggested.

14) For the performance appraisal in hotels it is suggested that:

- Performance must be evaluated, regularly and scientifically, of all employees and at all levels.
- Performance rating must be communicated in time to the respective employees.

15) It is productive that large hotel units should come forward to provide facilities to their employees beyond statutory obligations, because employees are now considered as human assets and they should be appreciated by value-addition from time to time.

16) It is recommended that cash wage and salary is the prime motivator in their hotels, the majority of employees opined that the reputation of the hotel and a better work environment motivate them to dedicate themselves better to performance. In such a case, the wage structure becomes less important, yet for employees, wages were of enormous important.

17) It is beneficial that the hotels enhance their internal business processes and learning and growth training activities and put in greater effort towards these programmes that meet the needs of highly qualified employees. More condensed and effective in service training programmes for newly appointed employees should be conducted.
18) It is useful that the hotels need to indicate directly and clearly the importance of Learning and Growth and Internal Business Processes perspectives as a necessary step to put these lead objectives as their vital priority.

### 6.4.1 Suggestions to Government and the hotel industry policy maker

- The Government can initiate more training programmes on entrepreneurship development to encourage young entrepreneurs especially in the hotel sector. As it is a booming industry, it will provide more employment opportunities.
- If the Government inspects the hotels periodically, it will increase the number of tourists and result in large GDP to India.
- India has become a member of the WTO, and it is expected that by 2020 India will be a developed country. To achieve this goal, hotel units should adopt democratic and free rein leadership philosophy, irrespective of their size and form.
- Hotel is a service industry in India and employs large number of people directly and indirectly. At present very few institutes impart HRD training to hotel employees. Furthermore, in Karnataka no effective and formal education and research is available to train the required employees for the hotel industry. Therefore it is suggested that: Service oriented training programmes should be arranged to train employees of the industry. For this, special training centre should be established.
- The hotel sector forms one of the most important segments of the tourism industry with high potential for employment generation and foreign exchange earnings. To give impetus to this sector, the government provides tax benefits and other incentives.

### 6.4.2 Area for future Research

The researcher indicates the following as areas of further research:

- Performance appraisal of Indian hotel industry- A comparative study between Traditional method (financial) and BSC (both financial and non-financial).
• Balanced Scorecard strategy in performance appraisal A-comparative study between the Indian and the foreign hotel industry.

6.5 Conclusion

The service sector assumes a pivotal role in economic development, thanks to the General Agreements on Trade and Services (GATS). The service sector mainly covers insurance, hotel and motels, transportation, communication, banking, tourism, information technology and bio-technology. Developed countries have accorded a greater significance to the service sector, as they realized not only the spurt in the activities of services but also their robust contribution to the GDP. In India, the service sector contributed 57% in 2003-04 62% in 2005-06 and over 65% in 2011-12 to the GDP of the country. The service sector will occupy a prominent position in India by 2020, as has been pointed out.

Hotels have gradually become the mainstream of the tourism industry in India. With many firms involved in this industry, strong market competition has thus become inevitable. They are often at a disadvantage in terms of services, pricing and promotions. Large fluctuations in the economic and financial environment can make it difficult to make a profit or achieve growth. Despite recent advances in performance measurement, hotel managers have constantly looked for a new effective measurement system to evaluate an organization’s performance. The Balanced Scorecard provides a framework for selecting multiple key performance indicators that supplement traditional financial measures with non-financial measures of customer satisfaction, internal business process and learning-growth activities.

Organizations initially adopted the Balanced Scorecard for a variety of reasons, including clarifying and gaining consensus on strategy, focusing an organizational change initiatives, developing leadership capabilities, and gaining coordination across multiple organizations. In general, organizations can achieve these targeted objectives with the development of an initial Balanced Scorecard. But the development of the Scorecard and, especially, the process among senior managers to define the objectives, measures, and targets for the scorecard, ultimately reveals an opportunity to use the BSC in a far more pervasive and comprehensive manner than originally intended.
The BSC is very popular throughout the world and has proved by the excellent results in many organizations. Now, Indian organizations have initiated the use of the BSC. So many organizations of Indian origin have tasted success with the help of BSC. At the same time many consulting groups are providing services to ease successful implementation of the BSC. Since previous performance measures have focused on financial factors, they do not include other important non-financial areas that need to be addressed.

The results indicated give support to the existence of links between the perspectives and their measures with the strategic choice of the organizations. Thus, the learning and growth perspective and internal business processes perspective and the customer perspective and the financial perspective has a positive relationship with the Balanced Scorecard approach. Karnataka’s hotels may also come out with their own formula for performance appraisal. This is very essential not only for their survival but also for robust growth at a global level and to face competition for survival. BSC is the need of the hour; as such every hotel must ponder whether it will opt for the mega implementation of it, and when.