

A Work Project, presented as part of the requirements for the Award of a Masters Degree in Management from the NOVA – School of Business and Economics.

***Key Performance Indicators and The Balanced Scorecard at the
Luxury Brand Hotels of Pestana Group
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Abstract

Traditional approaches to evaluate performance in hotels, have mainly used financial measures. Building on Speckbacher et al. (2003), this Work Project aims to design and propose a Balanced Scorecard Type II as a performance measurement/management system for the hospitality industry based on data collected at the Luxury Brand Hotels of Pestana Group. The main contribution is to better align the vision, strategy and financial and non-financial performance measures in this category of hotels, in particular those of Pestana Group, and by doing so, lead their managers to focus on what is really critical and, consequently improve the overall performance.

Keywords: Balanced Scorecard, Luxury Brand Hotels, Performance, KPI's, Pestana Group

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I. Purpose of the Work Project (WP)

The purpose of this WP is to design and propose a Balanced Scorecard (BSC) for measuring and managing performance in Luxury Brand¹ hotels. Empirical data was collected in relation to four of these hotels in Pestana Group, i.e., Pestana Palace Hotel (Lisbon), Pousada de Cascais - Citadela Historic Hotel & Art District (Cascais), Pousada do Porto - Freixo Palace Hotel (Porto) and Pestana Porto Hotel (Porto), as well as at the corporate department of Pestana Group located in Lisbon. Pestana Group is leader in the hospitality market in Portugal², operating 77 hotels as at Dec. 2013 (including Pousadas in Dec. 2013), most of them resorts, and, with a total of 9.639 rooms available. Pestana Group is also presented in other countries such as Brazil, Venezuela, Argentina, and UK and in the African continent.

This WP is seen as relevant as the hospitality market is becoming more globalised, leading international hotel chains to take closer attention to performance measurement systems (PMSs) in order to reinforce competitive advantages and make sure that strategic intentions are accomplished to these international hotel chains', as well as other companies', best capabilities (Evans, 2005; Franco-Santos et al., 2012).

According to Ukko et al. (2007), the improvement of discussions between managers and employees due to the use of PMSs promotes new routines and increases information sharing. This can influence and direct people's actions toward what is really important in the companies (Franco-Santos et al., 2012). If companies have a clear vision and strategy and ensure commitment to them from management, this will be transmitted to the rest of the staff and make them all work towards common objectives. This is where the BSC, a performance measurement system (PMS) developed by

¹ Situated in palaces and national monuments, the luxury hotels and inns are real symbols of historical heritage of the country. It is the luxury segment of Pestana Hotels, and thus, are the most sophisticated hotels of the group consequently being more expensive and with a better service.

² According to 'Atlas da Hotelaria 2014' (Deloitte)

Kaplan and Norton (see Kaplan and Norton 1992; 1993; 1996; 2008 among others), comes into place. As Barnabé and Busco (2012, p. 529) referred “Kaplan and Norton built on the potentialities of the BSC in playing a crucial role in the strategic management process of modern companies, helping managers to clarify and obtain consensus on strategic objectives, assisting them in communicating the chosen strategy, and consequently aligning the efforts of both individuals and organisational units”. One important role of the BSC is, therefore, to be a communication tool that provides information which can impact people’s interactions and way of thinking; overall, the BSC influences how individuals/managers behave in the companies. Thus, organizational routines are affected as well (Franco-Santos et al., 2012).

In the next section, the literature on the BSC and its implementation/use in the hospitality industry is reviewed. Section III outlines the methodology followed to develop this WP. Section IV informs about the field study of the WP. Section V depicts the main findings, section VI portrays the BSC designed/proposed by the researcher for Pestana Group’s Luxury Brand hotels, and finally, section VII lists the main contributions of the present WP, as well as limitations.

II. Literature review on the Balanced Scorecard

Until the 1980s, companies relied mainly on financial indicators to measure performance. However, when used alone, these indicators lead the managers to focus excessively on cost reduction and no longer give them the right perception of how their business must compete in an increasingly global competitive environment (Drury, 2012). As such, the BSC was conceived and firstly introduced in 1992 in an article published at the Harvard Business Review by Robert Kaplan, a professor of Harvard Business School, and David Norton, a consultant (Kaplan and Norton, 1992).

The BSC has four different dimensions or perspectives - Financial; Customer; Internal Processes; and Learning and Growth. These dimensions combine a set of performance indicators³ (PI's) which can be financial (i.e., accounting based), such as return-on-investment (ROI)⁴ and earnings-per-share⁵, as well as non-financial (i.e., derived from operations), such as capacity utilisation rate (CUR)⁶ and number of new customers acquired and should not surpass a total of 24 (Kaplan and Norton, 1992; 2008). The financial indicators (or measures) used alone were appropriated when the primary assets that generated a company's income and value were physical assets, such as property and financial assets. But companies are now facing a much more competitive and demanding environment where attention must be addressed, as well, to intangible assets such as customer loyalty and relationships, new products and services, employee skills and motivation, information systems, and the most intangible of all, organizational culture (Kaplan and Norton, 1996; Kaplan 2009). Thus, a system for measuring these intangible assets is necessary so that companies can manage them and create value. The BSC was developed to fulfil such purpose. But Kaplan (2009, p.1262) mentioned that he and Norton "soon learnt that we had to start not with measures, but with descriptions of what the company wanted to accomplish". This meant starting to use the BSC not so much as a PMS but more as a strategic management system (Kaplan, 2009; Speckbacher et al., 2003) as it must derive from the company's strategy. The latter is translated in a 'Strategy Map' where strategic objectives are defined and integrated in a chain of cause-and-effect relationship between them. For Kaplan and

³Performance indicators help teams to align themselves with their organization's strategy (Parmenter, 2002).

⁴ Profit/investment and which is a performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments (Berk and DeMarzo, 2011).

⁵ The portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serves as an indicator of a company's profitability (Berk and DeMarzo, 2011).

⁶ Indicator used to measure the rate at which potential output levels are being met or used (Berk and DeMarzo, 2011).

Norton (2008, p.68) “the chain starts with the company’s long-term financial objectives and then links down to objectives for customer loyalty and company’s value propositions; from there, it links goals related to critical processes and, ultimately, to the people, the technology, and the organizational climate and culture required for successful strategy execution”. The strategy is conceived in such a way that it leads the managers to focus on the specific number of measures that are more critical to the business, in other words, the key performance indicators (KPIs). The BSC must, thus, be used to define or clarify and update the organization’s mission, vision and strategy; communicate them throughout the organization; align unit and individual objectives with such strategy; link strategic objectives to measures (indicators), long-term targets and annual budgets; and, finally, to identify and align strategic initiatives and conduct periodic performance reviews to allow the managers to learn about and improve strategy. So, the BSC puts strategy at the centre instead of control (Kaplan and Norton, 1992).

Based on a survey made among the DAX 100 companies operating in German-speaking countries, Speckbacher et al. (2003) identified three primary types of the BSC that can be used by companies: the type I BSC, which is a “[...] framework for describing value-creating strategies that link tangible to intangible assets” (Speckbacher, 2003, p.365); this means that the BSC is a PMS that must combine financial and non-financial strategic indicators, the seconds being identified to measure intangibles; the type II BSC, which is BSC type I but where a strategy must be described based on, a set of hypothesis about cause-and-effect relationships which link intangible and tangible assets or, in other words, strategic objectives and indicators from the learning & growth perspective up to the financial perspective; and finally, the type III BSC, which is the most advanced of the three types, as it transforms the type II BSC from a PMS to a

strategic management system as it is used to implement strategy rather than only to describe it based on the design of hypothesis about cause-and-effect relations among assets. But each company must adapt the original BSC model to the company's specific market situation, business segments, products and competitive environment (Kaplan and Norton, 1992). As Kaplan and Norton (1993, p.14) say "The BSC is the operating performance bridge that corporations have never had".

The hospitality industry has been relying on financial performance measures due to demanding financial targets and an operational control focus rather than future-oriented strategic intent (Atkinson and Brander Brown, 2001). In this industry, there has been a lack of capability to measure performance through multiple dimensions (Brown and McDonell, 1995; Wiersma, 2009). The fact that tourism has increased, alongside with business travel, fostered the growth of hotel chains, both national and international (Harris and Mongiello, 2001). The complexity of placing the day to day operations of a hotel in the context of a large worldwide number of other hotels, as a result of different types of demands and the need to adapt to a diverse number of countries, is vast (Jones, 1999; Lee & Yang, 2011). Hotels need to adapt to more competitive, as well as global markets, and to technological turbulence in the external environment, which requires a suitable strategy to gain competitive advantage.

Thus, when introducing the BSC to improve performance measurement and reach a competitive advantage, no indicator used alone is able to explain the complexity of an organization's performance (Epstein & Manzoni, 1997; Ahn, 2001). This is particularly true in hotels, which provide more than one service, of which beverages, rooms and food, each making part of a different business orientation and with a different cost structure (Harris and Mongiello, 2001). According to Evans (2005), the BSC in hospitality, in one hand, makes performance evaluations more objective and best

practices shared, giving consistent and easily interpreted summary information when adopted in an integrated way across a chain of hotels, and on the other hand, allows strategy information to be spread throughout the organisation. Besides, the BSC reinforces a closer articulation of all operations of the business taking into account also its culture (Huckestein & Duboff, 1999; Doran et al., 2002). Moreover, its implementation improves the relationships of employees from different divisions (Franco-Santos et al., 2012). With the BSC managers are more willing to share information, reward group work and care not only about measuring and managing performance with short-term measures, as most financial are, but also with long-term ones. These long-term measures, such as brand recognition and customer loyalty, are said to enhance the guest experience and that is what will bring positive financial outcomes for the hotels (Denton and White, 2000). Yet, hotel chains such as Hotelco's, which use a dashboard, do it to control operations and focus on short-term revenue-based and other financial indicators (Cruz, 2007).

As previously mentioned, the hospitality industry has focused mainly on using financial measures to evaluate performance. This might explain why there are few examples of BSC designed and implemented in this industry. The only examples depicted in the literature are the BSc of the Hilton Hotels (Huckstein and Duboff, 1999) and of the White Lodging Services (Doran et. all, 2002). Overall, the BSC is very important to develop strategies which lead to competitive advantages; a needed better alignment of processes, people and technology (Brooks, 2000). The BSC will have a more important utility for hotel chains and for their management if it reflects both their circumstances and specific operational characteristics (Faria, 2012).

III. The methodology followed in this Work Project

This WP consisted of a directed research of 5 months to design/propose a Type II BSC based on Pestana Group's Luxury Brand hotels. Therefore, an experimental case study, which consisted on indicating what should be done in practice, was undertaken with the researcher acting simultaneously as a visitor and "a kind" of facilitator (Ryan et al., 2002).

The main sources of collected evidence were: 1) 8 semi-structured interviews to the managing director of Pousada de Cascais, Citadela Historic Hotel & Art District (five starts), to the Director of Operations of Pestana Luxury Brand Hotels, to the head of the IT and HR of Pestana Group Hotels and Pousadas de Portugal, to the Financial Controller and to the Board Member and Managing Director for Portugal and Africa hotels and Pousadas de Portugal at Pestana Group headquarters in Lisbon (see Appendix I for the list of interviews done); 2) external documentation such as the 'Atlas da Hotelaria 2014' (Deloitte) and statistics from the 'Instituto Nacional de Estatística (INE); 3) internal archival records such as the Consolidated Annual Report, 2013 of Pestana International Holdings S.A and the P&L of Luxury Brand Hotels which was shown and discussed during interviews but not given to the researcher⁷. It has to be noted the first interview was done at an early stage of the project and with one of Pestana Group's board members with functions relying on selecting the General Managers and assess the overall direction and strategy of the business. During the interviews, the researcher asked, among other things, for the strategic objectives of the group (see Appendix II for the questionnaire that was used as a guide for the semi-structured interviews). Then a translation of each of these objectives into suited KPIs and targets took place. According to Ryan et. al., (2002), the researcher must take close

⁷ A confidentiality agreement was signed between NovaSBE (including the researcher and the WP supervisor) and Pestana Group

attention to the reliability and validity of the data which is collected. The reliability was checked in this WP as the data disclosed to one, was the data disclosed – numbers, practices, reports - to everyone. The validity of the information was assured by triangulation as the same questions were asked to different participants. The one mainly used was the method triangulation due to using different research methods such as interviews and internal records.

IV. The field study

Pestana Group is a financial holding company organised in seven different business divisions – Hotels, Pousadas de Portugal, Holiday Ownership, Travel, Gold & Real Estate, Industry, and the International Business Centre (see Appendix III for more details). These different businesses divisions share collective values and collaborate, when needed, between themselves. Pestana Group's main goals are to achieve customer's satisfaction, and similarly to all other companies, increase the group Gross Operating Profit (GOP). As the Chairman of Pestana Group, Mr. Dionísio Pestana, stated in Pestana Group Magazine 2012 “We know how important it is for our clients to experience a quality service that is refined, attentive and efficient. We want their experience with us to be a memorable one.”

Pestana Group's clients come from the most various places of the globe. 2013 was a year of tourism growth for Portugal and Pestana Luxury Brand Hotels. In 2013 the segment of hospitality in Portugal had 13,3 million guests and 39,2 million overnights, increasing 5,3% and 5,8% respectively compared to the previous year. The increase of the overnights was due to the non-residents whose overnights grew 8,5%, as residents overnights declined 0,5%. 28,3% of the overnights were from residents (11,1 millions) and 71,1% from non-residents (28,1 million). The feeder markets with bigger

expression are the United Kingdom (24,2%), Germany (13,8%), Spain (10,5%) and France (8,5%)⁸. This data from INE validates the information given by the financial controller for Portugal and Africa hotels and Pousadas de Portugal about the feeder markets in the hotels of the Luxury Brand. According to her the international tourism reinforcement of feeder markets compensated the internal demand which was far from desired due to the economic recession that Portugal is experiencing. Even though small, the numbers from the resident segment are due to the improvement of economic indicators in Portugal at the end of 2013, backed up by the increase of consumption which started to reverse this trend⁹.

The focus of this WP is in the Luxury Brands Hotels of Pestana Group, which are part of its Hotels' division, in particular Hotels & Resorts. The latter comprises 46 hotels operating worldwide (excluding Pousadas) of which 4 are Luxury Brand Hotels. According to Deloitte's "Atlas da Hotelaria 2014", Pestana Hotels & Resorts + Pousadas de Portugal lead the ranking of hotel chains in Portugal in number of accommodation units with 5% of the existing ones and 4,6% of available beds. Regarding the main competitors of each of the four hotels analysed in this WP, this depends on the area where they are located. So, for Pestana Palace Hotel the competitive set is Hotel Olissippo Lapa Palace (Olissippo Hotels & Resorts) and Four Seasons Hotel Ritz (InterContinental group, an international hotel chain); for Pousada de Cascais, Citadela Historic Hotel & Art District the main competitors are the Grande Real Villa Itália Hotel, the Spa (Hotéis Real) and Hotel Cascais Miragem (independent hotel); for Pousada do Porto, Freixo Palace Hotel the Yeatman Hotel Oporto and Hotel InterContinental Porto (both from the InterContinental group); finally for Pestana Porto also the Hotel InterContinental Porto.

⁸ Instituto Nacional de Estatística (INE)

⁹ Pestana International Holdings S.A., Consolidated Annual Report, 2013

As the Group's vision is to grow in a sustainable manner in several continents, its strategy tries to create a culture of mobility inside the organization. As such, and as mentioned by the director of the HR corporate department at the group headquarters in Lisbon, Pestana Group and, in particularly its Luxury Brand segment, try to develop and implement standardized behavioural patterns putting at the employees disposal the best set of tools to facilitate their fit when confronted with different cultures. For instance, training is standardized to provide the basic principles and tools of common leadership to the group's employees.

Each hotel bases its performance on the overall group practices. This means that each hotel works towards the strategy conceived by the Pestana Group, where continuous improvement of flexibility and operational efficiency are pursued. Pestana Group invests in exiting hotel's growth and upgrade, such as what is happening to Pestana Porto Hotel which is being upgraded to a five star hotel. The Group takes into consideration innovation and technologies.

Pestana Group has invested heavily in information systems. Every data of its hotels in the countries where it is present is computerized on data centres located in Pestana Group's headquarters at Lisbon. Thus, the additional cost of having another hotel in Portugal or another country is very low as systems such as SAP and OPERA are already set up, the same happening with the IT team. The only additional cost is licensing. According to the Head of IT of Pestana Group Hotels and Pousadas de Portugal, Pestana Group is very competitive due to a scale effect created by IT, which allows control over the operations and increasing the reaction capacity. Also, Pestana Group has an average number of collaborators for each hotel, such as around 0.6 per room.

V. Main Findings

V.1) Pestana Luxury Brand Hotels' organization and main services/activities

Each hotel of the Luxury Brand is managed by a Managing Director (henceforth called hotel manager) who ensures the day to day management of the hotel. His/her main activities are: 1) to coordinate all services provided by the hotel and ensure that they are delivered according to the clients expectation; 2) to develop teams and create new products and services; 3) to develop growth strategies for the hotel; and 4) to guarantee the correct implementation of the financial model which is centred in achieving a higher GOP. Reporting to the hotel Manager, or also called Resident Director, is the reception chief, the kitchen chief, the room chief, the maintenance chief, among others. According to the Director of Operations of the Luxury Brand hotels, these chiefs have as main functions to manage the day to day of their department by striving to achieve its goals, as well as align their team's performance with the service ideals passed to the staff – Pro-activity, Elegance and Personalization (PEP). This model facilitates management because there are not many organizational levels between functions, which allows to react in real and useful time to any problem. Each hotel is divided in the following departments: Rooms, Food and Beverages (F&B), SPA, Other Profit Center, Financial, Administrative and General, Legal, Business Intelligence, Human Resources, Sales & Marketing, Maintenance and Non-Trading. However, only the operational ones, Rooms, Food and Beverages (F&B), SPA and Maintenance – are present in the hotel. All the other services such as Financial, Administrative and General, Legal, Business Intelligence, Human Resources (HR), Sales & Marketing, and Non-Trading are controlled centrally.

The hotels are well served with IT systems – Opera, SAP, Microsoft CRM and Sharepoint, Google analytics and Easy Vista – but a great emphasis is given to SAP.

This system records not only the revenue (REV) – performance indicator - yielded by a certain customer, but also eventual bad debt, which has to be provisioned, and the payment of the service. In addition, SAP also does the entire inventory management and control of the business. Thus, since the booking of a service until its payment is done through information systems, namely, SAP. It controls a number of internal processes which hotels have to perform, from welcoming the guests to serving meals, accommodation, beverages, events, business meetings, among others (see Appendix IV for more information about departments at the Luxury Brand Hotels).

According to the Financial Controller of Pestana Group Hotels and Pousadas de Portugal, in order to retain guests, the Group has launched the ‘Loyalty Programs’, which have been implemented since 2011. This implies that when spending money in one hotel unit, the client acquires points which can be used in a hotel of choice. These points have an expiration date, and if not used by the client, revert to the hotel unit where they were acquired. This program is a cost of each hotel. However, most of the services, as mentioned before, are centralized and divided by brands such as Hotels & Resorts, Pousadas de Portugal, among others.

The hotels have regional and brand coordinators who are working very close with the HR departments of the Pestana Group hotels in the recruiting and assessment of candidates; they work at the hotels. These coordinators communicate daily to the central of operations – HR corporate department at the group headquarters - and work together with it. And as already said, the main focus of training, as well as recruitment, is to uniformize behaviour across the different hotels.

V.2) Current PMSs used at Pestana Hotels & Resorts Division

The division does not use a performance measurement/strategic management system such as the BSC. The culture of the group is budget management, which

complies a number of PI's such as GOP^{10} and $REV\ par^{11}$ to guide the group activities. This, together with monthly reports, ends up being the most important instruments of tactical execution of the strategy.

Albeit not included in any dashboard, Pestana Group follows a list of indicators, including performance indicators, such as the ones for good service which is connected to the 'Hotels of the World League' and has 870 service standards. These help to management the different services provided in the hotel improving its quality and the hotel infrastructure maintenance.

The only way Pestana Group actually evaluates HR performance is by following the approved budget and making sure it is being fulfilled. The group does have a few complementary systems to evaluate performance though. LRA is one of them. This system is used to obtain feedback from each hotel. When a hotel gets a bad performance grade through, for example, feedback from surveys answered by customers and employees, a red alert is sent out and tells the manager of such hotel which issues are in need of close attention. It is the manager's responsibility to implement corrective actions. A blue alert means that the hotel is doing well. These reports are prepared monthly. Also, each employee of the Rooms department in a hotel has a stipulated number of rooms on average to take care of. On what concerns F&B, the indicators are the called 'covers'/number of clients attended. With this indicator, there is a number of ratios which are stipulated initially accordingly with expectations. So, for instance and regarding the Luxury Brand Hotel, Pousada de Cascais, for breakfast its ratio is 30, meaning that it needs to have one person to attend each 30 breakfasts served. As such, it

¹⁰ Revenue minus cost of goods sold. Gross profit is a company's residual profit after selling a product or service and deducting the cost associated with its production and sale (Berk and DeMarzo, 2011).

¹¹ A performance metric in the hotel industry, which is calculated by multiplying a hotel's average daily room rate (ADR) by its occupancy rate. It may also be calculated by dividing a hotel's total guestroom revenue by the number of available rooms and the number of days in the period being measured.

is easier to define team's productivity. The last one is the ratio used for staff cost per revenue, which is related with wages and remunerative benefits.

V.3) Gaps in the current PMSs to be fulfilled with the BSC at Pestana Hotels & Resorts Division

According to the Director of HR of Pestana Group Hotels and Pousadas de Portugal there is no connection, clear communication between the corporate departments. There is a lot of space to improvement, the Group recently developed sessions entitled 'Pestana Talks', where they have guest speakers from within the group to talk about different strategic themes for the company.

Also, they do not have any dash board which groups the indicators in use to measure performance, nor are the strategic objectives of the departments on the hotel connected.

VI. BSC for Pestana Group's Luxury Brand hotels

When designing a Type II BSC, the description of the strategy via a chain of cause-and-effect between strategic objectives must be the starting point (Speckbacher et al., 2003). The development of this chain implies the identification of links between strategic goals (Ahn, 2001). The outcome has been called a strategy map, among other names (Franco-Santos et al., 2012). This presupposes that a vision/strategy had been previously defined.

As already mentioned, Pestana Group is following a strategy of sustainable growth to reach the ultimate goal which is to increase the group GOP. In what concerns Pestana Luxury Brand Hotels, and according to its Director of Operations, the Group wants to expand this brand in a sustainable way, i.e., ensuring that the assets (hotels) remunerate

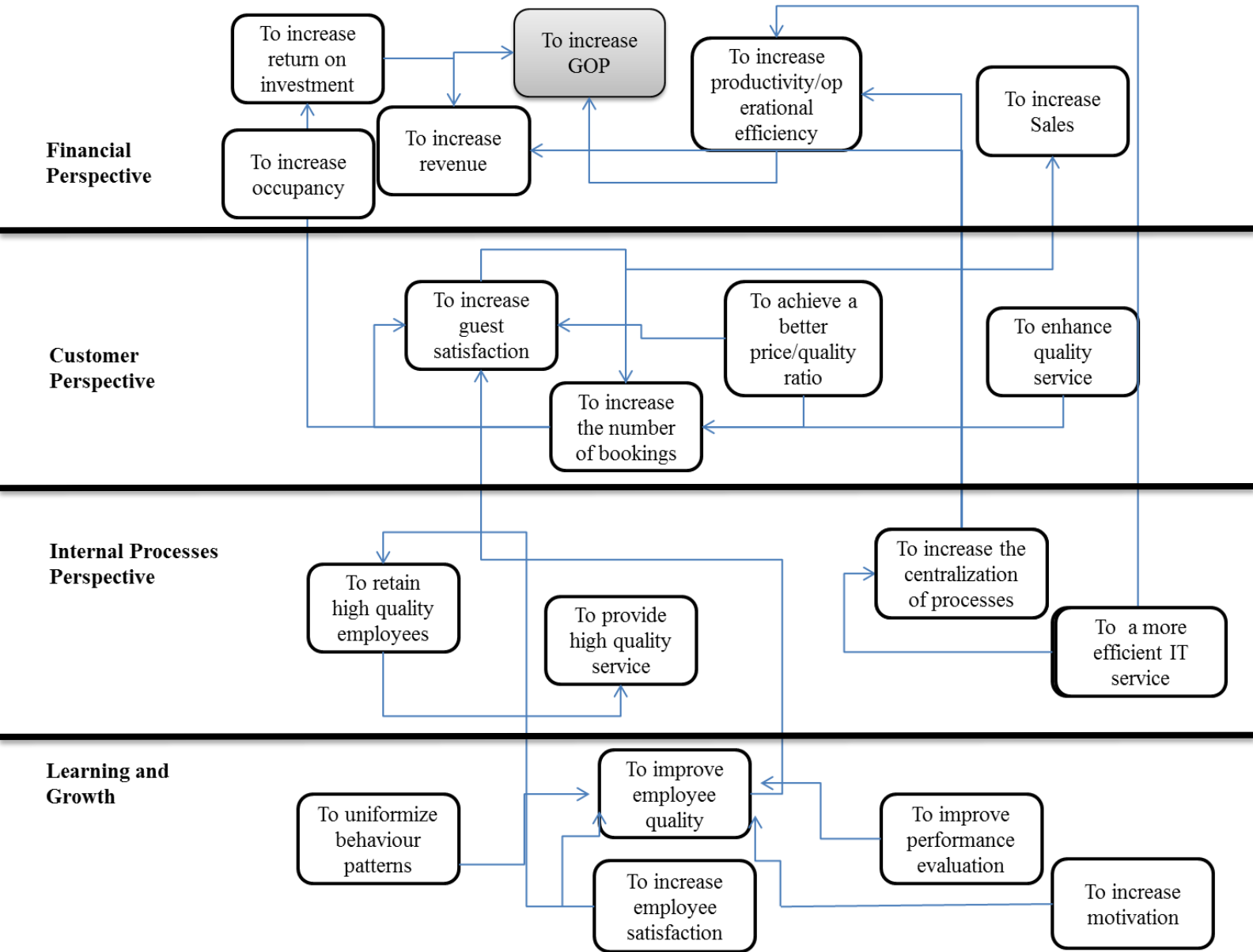
themselves and generate increasing returns which are then reinvested in more assets in the future. If the expansion was done unsustainably, then some assets would have to be funded by other assets (i.e., subsidized) and not by the business they directly generate. In this sustainable strategy, it is assumed that the level of debt must be appropriated to the level of business generated by the assets, which reveal strategy prudence and fosters financial strength. This sustainable strategy also requires operational efficiency when using the resources allocated to such expansion, and involves long-term, strategic planning that allies business growth with positive environmental and business continuity management systems.

At the BSC must translate the strategy and communicate it through the linkage of the different perspectives, the strategy map was firstly designed. A hybrid approach was followed as it was both top-down, as focused on the increase in GOP, the specific strategic theme defined by the researcher after collecting information from the interviews, and bottom-up, as strategic objectives were inferred from KPIs integrated in this WP by the researcher. Figure I shows the Strategy Map for Pestana Group Hotel & Resorts – Luxury Brand.

After the development of a strategy map, the BSC must include the most critical indicators to achieve the strategic objectives of the strategy map. These indicators are called KPIs and should not be more than 24 overall (Kaplan and Norton, 2008). So to measure the execution of the strategic objectives defined for Pestana Group Hotel & Resorts – Luxury Brand, nineteen KPIs were selected, which are also shown in figure I.

For each KPI there is a code (#), detailed explanation and the KPI frequency of production. Pestana Group Department of Operations of the Luxury Brand Hotels will be responsible to collect and add inputs in the system in case the here proposed BSC is implemented, thus transforming into a BSC Type III (see Speckbacher et al., 2003).

Figure I: Strategy Map



Perp.	Strategic Objective	#KPI	Key Performance Indicator (KPI)	Detailed explanation of the KPI	Frequency
FP	To increase GOP	1	GOP PAR	It is the ratio between gross operating profit and number of available rooms at the hotel. It is a good KPI for profitability.	monthly
FP	To increase revenue	2	REV PAR	It is the ratio between rooms' - revenue and the number of available rooms at the hotel used only at a point in time and good for comparisons with other hotels.	monthly
FP	To increase productivity/operational efficiency	3	Operational efficiency ratio	It is the ratio between the costs to run the hotel operations and the revenue gained from the business.	monthly
FP	To increase sales	4	Sales Volume Variance	(Actual Services Sold - Budgeted Unit Sales) x Standard Profit Per Service Sales Volume Variance quantifies the effect of a change in the level of sales on the profit or contribution over the period.	monthly

Perp.	Strategic Objective	#KPI	Key Performance Indicator (KPI)	Detailed explanation of the KPI	Frequency
FP	To increase occupancy	5	Occupancy Ratio	Number of rooms in a hotel that have been occupied as compared to the total number of rooms in the building. Occupancy rates are important to investors because they provide an indication of anticipated cash flows.	monthly
FP	To increase return on investment	6	Return on investment (ROI)	It is calculated as the gain from invested minus the cost of investment all divided by the cost of the investment. This is a performance measure used to evaluate the profitability of an investment or to compare the efficiency of a number of different investments. To calculate ROI, the benefit (return) of an investment is divided by the cost of the investment; the result is expressed as a percentage or a ratio.	semi annual
CP	To increase the number of bookings	7	Marketing Expenses	With a bigger investment on marketing the number of bookings would increase.	semi annual
CP	To increase guest satisfaction	8	Customer satisfaction rating	This indicator shows how likely it is for the customer to come back in the future. Generated through satisfaction surveys.	monthly

Perp.	Strategic Objective	#KPI	Key Performance Indicator (KPI)	Detailed explanation of the KPI	Frequency
CP	To enhance quality service	9	Customer retention	It is the ratio between the number of customers in the beginning of a period and the number of those customers that remained as such at the end of the period.	annually
CP	To achieve a better price/quality ratio	10	PQ ratio compared with the market	It is a measure of how expensive the cash flow that a hotel generates is, compared to its market price, then adjusted to reflect its degree of gearing, and finally adjusted to account for its amount of intangibles. The greater the value of this ratio, the more expensive – given its quality - a hotel is.	semi annual
IPP	To increase the centralization of processes	11	R&D efficiency	The development of processes in R&D would lead to a more centralized control of all the Luxury Brand Hotels commanded from a separate and unique unit.	semi annual
IPP	To retain high quality employees	12	Employee retention rate	It is the total number of employees minus the number of employees who quit or were fired times hundred.	semi annual

Perp.	Strategic Objective	#KPI	Key Performance Indicator (KPI)	Detailed explanation of the KPI	Frequency
IPP	To provide high quality service	13	Number of complaints done by customers	This indicator would give a clear idea of what is going wrong in the service and leave room for improvement.	monthly
IPP	To a more efficient IT service	14	Business Intelligence staff evaluation survey	This would allow the staff working with the actual SWs to come forward and state which processes are working better and which ones need to be worked on.	monthly
L&GP	To increase motivation	15	Goal achievement	Setting a number goals for each department or individual together with reward will lead to more motivated employees	monthly
L&GP	To improve performance evaluation	16	Investment in training	How much is spent on training.	monthly

Perp.	Strategic Objective	#KPI	Key Performance Indicator (KPI)	Detailed explanation of the KPI	Frequency
L&GP	To increase employee satisfaction	17	Employee suggestions	Employee suggestions could lead to a better satisfaction of the same if taken into consideration of the same.	monthly
L&GP	To improve employee quality	18	Training hours per employee	It is the average hours that an employee spends on training to improve its performance in the hotel.	quarterly
L&GP	To uniformize behaviour patterns	19	Cross functional assignments	This indicator would give us the number of tasks which can be replicated in different hotels in order to uniformize the learnings of the staff across the group	quarterly

FP – Financial Perspective; CP – Customer Perspective; IPP – Internal Processes Perspective; L&G – Learning and Growth Perspective

VII. Contributions and limitations of this WP

The present WP designs a BSC Type II for the Luxury Brand Hotels of Pestana Group.

Also, the present WP gives guidance on how to transport the learnings of a BSC to incorporate it into the hospitality industry starting of with a strategy. According to Kaplan (2009), what the company – hotel in this case - wanted to accomplish. The approach given went beyond the financial perspective which is usually the one given closer attention. With this WP, the lack of communication in the organization before identified should improve. The chain of cause-and-effect leads to that improvement.

It is important to note that if the researcher had access to more information on strategy and performance indicators used at the hotels, a BSC more integrated could have been designed.

The number of interviews done was definitely a limitation, since the main source of information in this WP was obtained through the interviews. Not being able to do more than the ones presented came as an obstacle to the realization of this WP. Another limitation would have to be the fact that there are not that many cases of BSC out there for the hospitality industry, thus, information is not that simple to obtain. Another way to approach the BSC for Pestana Group, would have been to create a BSC which would take a first look at the Corporate segment, identifying the KPIs and layer it down to different segments of hotels or even their business (see Appendix II).

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