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In response to the United Kingdom’s government’s desire to improve the performance of tourism, hospitality, and leisure small medium-sized enterprises, this article analyzes the performance measurement processes within 10 best practice organizations. Related to contemporary approaches to improving business performance in the management literature, performance measurement approaches are analyzed using the balanced scorecard framework. An exploratory case study approach using the balanced scorecard as the theoretical framework was taken to explore and elicit critical success factors in performance measurement. Results revealed that four key concepts drove measurement and performance evaluation systems across the sample. These were the exercising of budgetary control with a view to increasing total revenue, the undertaking of customer relationship management as a means of improving quality of service and customer retention, the necessity for strategic management in managing internal business processes, and collaboration (both inter and intra) to drive innovation and learning. The article also proposes a balanced scorecard template for hotels.

Keywords: tourism; small medium-sized enterprises; hospitality and leisure; performance; balanced scorecard

Cross-country performance comparison is very difficult in the tourism, hospitality, and leisure industry for a number of reasons. Past studies in the field—for instance, the McKinsey Global Institute study (1998)—have been criticized on methodological grounds. Moreover, there is a paucity of best practice research available from other countries. Given some of the nuances of tourism infrastructure and markets, United Kingdom (UK) tourism practitioners are skeptical of the value of best practice developed outside the UK.

Improving business performance has been one of the central tenets of management and remains fundamental to organizational success (Neely 1999). Despite the evanescent view that managers can operate solely with accounting-based indicators, strict financial outcomes remain the dominant measures used. During the past decade, an increasing number of scholars and practitioners have expressed disquiet with traditional quantitative performance measures that tend to focus on conventional financial post hoc indicators (e.g., Fitzgerald and Moon 1996; Wright 1998; Buckmaster 2000).

Reliance on accounting-based performance indicators has been highlighted as inadequate in the service sector (e.g., Fitzgerald and Moon 1996; Ittner and Larcker 1998). Two approaches have been advocated in attempts to overcome the limitations of historical-based measures: first, the enhancement of accounting information used to support the management control and decision-making processes within the organization; second, the identification of performance measures that are broader in focus and include qualitative measures.

According to the European Commission, the European tourism industry is dominated by small medium-sized enterprise (SME) organizations, with more than 99% of firms employing less than 250 employees and about 94% employing less than 10 persons. On average, tourism SMEs in Europe provide jobs for 6 employees (microenterprises). Of the total turnover generated by SMEs in Europe, 6.5% is sustained by tourism SMEs. As tourism is a labor-intensive industry, any improvement in performance will enhance employment levels, which, in turn, will enhance competitiveness at the national level.

This research study seeks to identify best practice performance measurement among UK tourism, hospitality, and leisure in SMEs. The remainder of this article is organized as follows. First, the balanced scorecard (BSC) is discussed. Given, the lack of empirical BSC research in a SME context (see Andersen 2001), the concern here is to explore the BSC power to sustain and enhance performance measurement. Next, the research method is outlined, followed by the results of the case analysis. Finally, the results of the study are reviewed, major themes are discussed, and conclusions and managerial implications are drawn.

BALANCED SCORECARD

Since its development in the early 1990s (see Kaplan and Norton 1992), the BSC has been written about extensively. This can be illustrated by a citation analysis drawn from the
papers presented at the First and Second International Conferences on Performance Measurement, when it was noted that the BSC was the dominant underlying theory to the field (Marr and Schiuma 2002). The BSC, with its emphasis on financial, customer, internal business processes, and strategic and operational levels. At the strategic level, the focus is to determine what the organization is trying to achieve, while at the operational level, the focus is to determine the salient processes to be monitored.

Kaplan and Norton’s (1992) BSC has emerged as a ubiquitous performance managerial tool that provides managers with the mechanisms to develop performance objectives and measures linked to strategy. The BSC methodology acknowledges the deficiencies in many business performance measurement systems, which often rely totally on financial metrics and attempts to overcome the deficiencies of existing systems by measuring and analyzing results across a range of activities (Sanger 1998). An additional byproduct of the BSC is the role that it can play in change management, which goes well beyond the original idea of merely broadening performance measures (Kaplan and Norton 1996).

The BSC concept presents a significant challenge to underlying assumptions regarding performance measurement and highlights the need to observe measures from a number of perspectives (Liyanage and Kumar 2001). The BSC makes a “compelling case” for including nonfinancial measures in a performance measurement system (Amaratunga, Baldry, and Sarshar 2001). It recognizes that operational measures, such as on-time delivery, order cycle times, and product returns, should be equal in status to the more traditional financial measures. These “leading indicators” can help identify trends in performance before they appear in financial data (Sanger 1998).

The term BSC reflects Kaplan and Norton’s (2001) attempt to provide a monitoring system that communicates both financial and nonfinancial measures using a combination of lagging and leading indicators while addressing long-term and short-term objectives (Denton and White 2000). The critical elements referred to by Kaplan and Norton are as follows: targeting customers for profitable growth; the value propositions that lead customers to do more business and at higher margins with the company; innovation in products, services, and processes; and investments in people and systems to enhance processes and deliver differentiated value propositions for growth (Kaplan and Norton 2001). In short, organizational success can best be achieved and measured when viewed objectively from four perspectives (see Figure 1): financial, customer, internal business processes, and innovation/learning.

A successful BSC implementation should enable organizational change, not solely measurement for measurement’s sake. The BSC aids strategic thinking, fosters teamwork, and encourages learning (Kaplan and Norton 2001). According to Oliveria (2001), the BSC can help identify performance indicators that can be influenced directly by staff and managers, thereby encouraging changes in behavior and activities to achieve corporate goals. The BSC can facilitate a meaningful link between strategy and measurement while communicating the strategy to everyone in an organization (McAdam and O’Neill 1999). By establishing common goals for all stakeholders, the BSC helps unify all parties in their quest for a favorable hotel guest experience, which leads to positive financial outcomes (Denton and White 2000). An effective BSC will articulate the strategic direction of the company, the motivation for that strategic direction, and how it will improve the organization’s performance (Whitaker 2001).

The BSC ties each question that represents a corporate objective to an outcome measurement. This is linked to the measurement of a supporting process—a “driver” that enables the attainment of the corporate objective. The outcome measurement—a “lagging indicator”—measures what has happened, while a driver measurement—a “leading indicator”—looks at the potential to improve performance (Oliveria 2001). Indicators can be used to measure progress toward the achievement of the organization’s vision. Others are used to measure the long-term drivers of success and performance (Amaratunga, Baldry, and Sarshar 2001). Every measure should be part of a chain of cause-and-effect relationships that represents the strategy, and there should be a mix of lead-and-lag indicators. Strategic goals must be measured in a way that links them to the financial indicators within the scorecard (Amaratunga, Baldry, and Sarshar 2001). There should be a maximum of 10 indicators, across the four perspectives, to avoid the process becoming unwieldy (Ziegenfuss 2000). The three key performance measures, as perceived by businesses, are cash flow, customer satisfaction, and employee satisfaction, with customer satisfaction generally regarded as the most important performance indicator (Gautreau and Kleiner 2001).

Brewer and Sphé (2000) provide a model for developing indicators across the four perspectives of the BSC:

Financial Perspective: The most important lagging factor, which acts as a system of checks and balances.
The Customer Perspective: What do customers think makes the business successful? Measures should capture customer opinion. They can be general (e.g., customer value and customer retention) or more specific (e.g., product/service quality, flexibility, cost, and response time).

Internal Business Processes: What must be done internally to meet and exceed customer needs? These are predominantly nonfinancial measures (e.g., measures of quality that are time based and flexibility orientated).

Innovation and Learning: What needs to be done on a continuing basis to delight and retain customers? The focus should be on the future rather than current capabilities. Measures should relate to issues such as new product development, percentage of sales from new products, and process improvement rates. This can also relate to human resource measures.

The process of implementing and maintaining a BSC can be automated (Sanger 1998). A business case must be made, strategies identified, tactical objectives and performance measures identified, a data warehouse created, information technology (IT) selected to manage the data warehouse, a balance scorecard report created, the strategy managed, and the tactical objectives refined (Oliveria 2001). Internal and external performance data must be identified, and to make the implementation process easier, the chosen software system should link directly into existing applications and databases (Sanger 1998). A simple scale is usually used to normalize the scores (e.g., scoring 0–10 for each factor and then using a conversion process to convert into actual measures). The Key Performance Indicators should then be weighted (Sanger 1998).

Figure 2 shows the four key processes in managing the strategy that inform the BSC: translating the vision, communication and linking, business planning and feedback, and learning (Ziegenfuss 2000). Whitaker (2001) stresses the importance of leadership in the development and continued use of the BSC. McAdam and O’Neill (1999) believe it strengthens links between customer improvement initiatives and organizational change.

METHODOLOGY

For the purpose of this research, the UK’s Department of Trade and Industry’s definition of SMEs is used, which identifies SMEs as businesses employing fewer than 250 employees (see Table 1). The project team performed a pilot study and investigated 11 businesses (three hotels, two pubs, two restaurants, two leisure operators, and two visitor attractions). To identify the areas for detailed research, a preliminary investigation into the critical success factors in tourism, hospitality, and leisure SMEs was conducted by interviewing 38 SME consultants, owners, and managers (see Jones...
Interviewees were questioned about their level of performance and the factors that lead to this, along with a series of very open questions, based around the European Foundation for Quality Management model. This study led to the proposition that effective performance management processes were a key determinant of success for SMEs (Bowen, Lockwood, and Phillips 2003).

Best practice practitioners were identified based on recommendations from tourist boards, national trade associations and the Department of Trade and Industry, as well as recommendations from individual industry professionals. This list was further refined by identifying companies that were the recipients of awards such as the Excellence through England Award, the Leisure Property Forum Award, Automobile Association (AA) Hospitality Awards, Investors in People (IIP) awards, and Vision 100 awards. For this study, owners of 10 SMEs were interviewed, 2 each from the hotel, pub, restaurant, leisure, and visitor attraction sectors (see the appendix for a summary of each case organization). All 10 case organizations were award winners, regionally or nationally, or had performed consistently in grading schemes. To ensure cases would be suitable (and to avoid redundant use of resources), participants were assessed by a telephone screening interview to establish if there was a prima facie case that they were a highly successful business. Another selection criterion was that the 10 case organizations should be geographically dispersed across the UK (largely for creating face validity with regard to the ultimate users of the research output—SMEs throughout the UK).

The primary aim of this exploratory study is to gain some insight into the performance measurement processes used by tourism, hospitality, and leisure best practice organizations.


**TABLE 1**

**SOME EUROPEAN SME COMMISSION DEFINITIONS**

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Micro</th>
<th>Small</th>
<th>Medium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum number of employees</td>
<td>9</td>
<td>49</td>
<td>249</td>
</tr>
<tr>
<td>Maximum annual turnover</td>
<td>NA</td>
<td>EUR 7 million</td>
<td>EUR 40 million</td>
</tr>
<tr>
<td>Maximum annual balance sheet total</td>
<td>NA</td>
<td>EUR 5 million</td>
<td>EUR 27 million</td>
</tr>
</tbody>
</table>

Note: SME = small medium-sized enterprise.
Financial Critical Success Factors

A semistructured interview instrument, based on the philosophy of the BSC, was devised. Open and closed questions were used to explore performance measurement activities within each case organization. The questionnaire consisted of the following seven sections:

- organization information;
- financial information systems in use;
- sources of information used to measure the organization’s performance;
- current performance measurement activities;
- performance target setting;
- revenue management; and
- future developments of performance measurement.

Each interview lasted approximately one hour, and interviews were typed and transcribed in full. The researchers felt that the case study approach would be most appropriate to elicit more in-depth information regarding performance measurement issues under consideration, as research cases offer a unique tool to build theory by examining phenomena not suited to traditional statistical approaches (Stake 1995). Given the paucity of previous tourism management performance studies, as well as with the exploratory nature of the investigation, the BSC was used as a descriptive framework. This is in agreement with Yin (1994), who asserts that developing a case description is appropriate when theoretical propositions are unclear. As 10 case studies were available for analysis, secondary analysis across cases was performed. All case organizations were analyzed from the perspective of the BSC and form the basis for the results in the following section. It must also be borne in mind that examining business practices in the tourism, hospitality, and leisure industry is an area that is underdeveloped, and the results should be placed in this context.

RESULTS

The interviews covered a wide range of performance management issues, and cross-case analysis revealed some disparity in processes. For example, uses ranged from paper-based manual processes to highly innovative computerized processes, a disparity that highlights the potential for implementing and maintaining a BSC (see Sanger 1998). No case organization was explicitly using the BSC, which was unsurprising given the lack of empirical research (Andersen 2001). However, the case organizations included nonfinancial measures in their performance management system. The following section provides an overview of the critical success factors with relevant quotes from interviewees.

Financial Critical Success Factors

1. Collect the Relevant Information to Support Financial Decision Making. In essence, operators will be better equipped to formulate performance measurement strategies if they work with appropriate information.

The New Mill Restaurant. The proprietor of the New Mill has created bespoke financial management software that enables him to integrate the information from his accounts into a spreadsheet package detailing average spend across several departments.

“We’ve got two restaurants. Average spend for each of these is broken down. I’ve got my gross profit margins. I also monitor them through the liquor sales separately on a monthly basis.”

The integrated management information system (MIS) allows the owner to know from which part of the business sales are generated and to adjust his operations accordingly.

“Am I achieving growth in average spend, which drives the revenue and the covers, or am I just getting more average spend and less covers, which is masking a decline in volume? Your revenue’s going up, but your volume is going down. I can keep an eye on that because I’ve set where I think the average spend and the covers should be, so if they start to deviate a lot, then I can pick that up.”

2. Digitization aids the collection, analysis, and dissemination of financial information. There appears to be a move away from manual, paper-based systems, suggesting that owners appreciate that speed and accuracy of data collection. A fast control cycle achieved through digitization will benefit their financial performance measurement strategies.

The George at Stamford. This establishment has a fully integrated financial and management information system. The George piloted a front-of-house software package incorporating guest billing, reservations, and electronic point of sale, which, in turn, drops down into the accounts packages.

“From our reporting systems, we have a series of spreadsheets from which we monitor things like cash flow, profit performance, staffing, and organizational charts.”

The organization is able, on a daily basis, to measure its performance and how that fits into the weekly budget requirement. Food purchases are listed daily and measured against what has been sold. Weekly accounts are produced detailing turnover and gross profit margins on food and wages.

“Although we pay monthly, we do know what we’re spending every day more or less because we have a cropping system. We do number of covers every month after the end of each period . . . statistical analysis of number of covers, average room rate, room occupancy.”

The finance director would like to extend the use of software to detailing table spend, for example, which would enable him to identify customer trends more easily. For example, “Are pasta sales increasing? Have they gone to steak? Do they like that new dish that we’ve just put out?”

3. Forecasting—linking digitized financial reporting systems and management information systems—facilitates
a more coherent interaction between day-to-day operations management and forecasted performance.

**K-Spa.** The hotel and leisure complex has a fully integrated, IT-based financial and management information system. The chief executive officer is able to use the system to monitor current performance and plan for the future.

“We have a weekly business meeting. Following that one, we have a yield meeting, which discusses where we can go to and get extra business to meet financial targets. Following that, we have a financial forecast meeting where we pull the results of the two meetings down into spreadsheets to work out how much our budget is going to be exceeded by or under by. Then, we forecast where we can make cost savings as appropriate.”

**Customer–Related Critical Success Factors**

1. **Build a customer profile.** Operators are not able to set effective customer related indicators and targets unless they have a good understanding of their customer base. SMEs should be aware of who their customers are, where they come from, what they expect from a visit, and whether they will return.

   *The Old Bell.* The proprietor owns two properties in the area and has a comprehensive understanding of both customer bases by analyzing average house price, average income, and the level of unemployment locally.

   “You have to cater your performance measurement to what you are going to do [in each property]; hence, we do two for one here. We do specials. We do barbecues . . . outside in the summer. Now, in the other one [property], I wouldn’t dream of doing that.”

   He is able to draw in his knowledge of the local market when putting performance measures into context.

   “Why are we down on beer? Have we lost happy hour? Have we lost the footballers? Where are they?”

2. **Communicate with customers to build relationships and encourage loyalty.** Face-to-face interaction between customers and staff assist the collection of anecdotal indicators of performance. A guest history can also be built up through informal exchanges—customers being more likely to return if they feel valued. Collating and interpreting customer satisfaction information, particularly in terms of anecdotal feedback, must be systematic and rigorous; digitizing MIS should facilitate this process.

   *The George at Stamford.* The establishment uses a mixture of formal and informal techniques to collect information from and about customers. Comment cards are placed in all bedrooms, the details of which, both positive and negative, are fed back to staff at weekly management meetings. Staff are encouraged to speak to guests and report back. Information is then fed into the computerized guest history program, a part of the reservations package. Follow-ups are undertaken on guest histories.

3. **The quality of service offered by SMEs is crucial to customer satisfaction and retention.** It can also be used as a measure of performance, through the grading schemes offered by organizations such as the AA, the Royal Automobile Club, and the English Tourism Council.

   *Techniques for measuring quality of service.* All the cases participate in grading schemes of some kind. In addition,

   - Patshull Park operates a mystery customer initiative;
   - EcoTech is looking to work with focus groups from across the customer base; and
   - K-Spa, Angel Inn, Pennyhill Park, and Flamingo Park Wildlife Encounter undertake benchmarking with competitors, nationally and internationally.

**Internal Business Process Critical Success Factors**

1. **Investing in staff is integral.** Participants cited staff as key to measuring and evaluating internal business processes. There was a clear emphasis on training and development and staff empowerment, with a view to streamlining internal operations and highlighting potential problems. IIP status, or schemes such as Excellence through People, may encourage operators to think more about their internal business processes and enable them to form more effective performance measurement strategies across the business as a whole—in terms of the guest/staff relationship, encouraging innovation, and facilitating learning, as well as refining internal operations.

   *Examples of investing in staff.*

   - Pennyhill Park’s staff training and development plan links training with meeting business objectives.
   - As illustrated in the section on financial critical success factors, K-Spa has a comprehensive performance related pay package for staff, which makes links between staff incentives and financial reward.
   - The George at Stamford also provide staff financial incentives, by giving them cash bonuses for introducing new staff to the organization.
   - The Matfen Hall Hotel and Golf Club is sponsoring an employee through the final year of her Higher National Diploma conversion course, thus linking learning and staff retention.
   - Flamingo Park Wildlife Encounter cites the achievement of IIP status and the creation of a positive working environment as key business objectives for the next three years, highlighting the links between formal recognition of the value of staff and fostering a strong organizational culture.
   - EcoTech’s staff engage in multiskilling through project-based work, which in turn encourages a culture of innovation.
   - The Old Bell encourages staff empowerment and aims to improve the organization’s prospects for growth by involving the staff in every aspect of the business, including financial areas.
Innovation and Learning Critical Success Factors

1. Staff must be drivers of innovation. To encourage innovation and facilitate learning, SMEs should ensure there is dialogue between staff and senior management and should aim to foster a strong organizational culture. Participants linked the measurement of innovation and learning with the measurement of internal business processes in terms of staff as a key asset.

The George at Stamford. The organization has daily staff meetings run by the general and service managers. All staff undertake an induction program organized by a qualified in-house trainer and a follow-up session 14 days after they have started. There is a training manual for each department, with new lesson plans having recently been added. A staff exit questionnaire, used when employees move on, aims to identify their reasons for leaving.

We’ve got to look at the way we recruit, induct, train, retain, and motivate these people to stay with us.

The finance director, the general manager, the service manager, and the catering manager completed a course—which has now been cascaded down—with the aim of encouraging learning and training throughout the organization through internal measurement and auditing.

Staff are encouraged to suggest new ideas and ways to improve existing operations.

The courtyard was just a courtyard until someone said, “Well, what if we put tables out?” Yes, great, OK, put tables out. Then . . . “Why can’t we have an a la carte section under the canopy?” So we do that. “What do they do when it is chilly in the evenings?” “Oh, we’ll get these heaters that I’ve just seen.” So that’s the sort of thing—that’s the way it is driven.”

2. Whether it is through knowledge sharing or benchmarking, SMEs should be encouraged to undertake cross-industry comparisons when setting innovation and learning indicators and targets. Perhaps because of the unique nature of their product, visitor attractions were best able to articulate the most specific indicators and targets. An attempt should be made to quantify the level of innovation within SMEs; this is made easier for organizations such as EcoTech, for whom innovation is a key funding requirement.

Flamingo Park Wildlife Encounter. The owners are invited to share best practice with zoos across the world, for example, with zoos in Milwaukee and San Diego. The Flamingo uses such knowledge sharing and benchmarking exercises to inform innovation and learning strategies and to review performance measurement strategies as a whole.

The organization aims to successfully organize at least one new and innovative event per year, implement a school’s charter, upgrade menus in line with customers’ eating habits, and develop and implement a recruitment policy that encourages the employment of mature, skilled, and experienced staff.

The New Mill Restaurant. The proprietor of the New Mill is involved with both the Restaurant Association of Great Britain and the Academy for Food and Wine Service with a view to increasing the level of, and measuring the success of, innovation within his establishment.

It’s networking. When you hear what other people in the country are doing or you see someone who is really successful, you get into these things eventually. If you look at the successful restaurants, it’s usually because the people are out and about getting involved in the industry. The ones that aren’t successful are usually the ones that sit, saying they’re doing the right thing, but they don’t actually know what else is happening.

DISCUSSION

The BSC literature review, when placed in the context of the findings of this research study, illustrate that the case organizations have yet to fully avail themselves of the benefits of the BSC. Based on the literature review, this suggests.
that tourism, hospitality, and leisure SMEs would appear to be missing out in the areas of control at the strategic and operational level, change management, lead indicators, links between strategy and measurement, and performance improvement.

Nevertheless, when analyzing the case data, it became evident that four key concepts currently drive performance across the industry. These being the exercising of budgetary control with a view to increasing total revenue, the undertaking of customer relationship management as a means of improving quality of service and customer retention, the necessity for strategic management in managing internal business processes, and collaboration (both inter and intra) to drive innovation and learning. The critical success factors observed in this study were the means by which operators managed each of these concepts. The potential for e-customer relationship management and the need to define strategic management specifically for SMEs are both areas in which further study could be undertaken.

However, even in best practice SMEs, there were still some notable barriers to the implementation of effective performance measurement activities. SME operators have difficulty in articulating the critical success factors, indicators, and targets used to assess their organization’s performance. To overcome this, SME operators must first work with the right information—in terms of financial information, customer profiles and feedback, business objectives, and training and development needs. In essence, having a thorough understanding of the business in the context of its vision and strategic direction is a prerequisite for effective performance measurement.

There is often too much reliance on so-called hard financial information to inform business strategies. Retrospective financial indicators featured in many of the cases and interviewees rated financial targets the most important. Pub and restaurant case organizations appear to place the greatest reliance on financial data, but there does appear to be an increasing awareness of the need to adopt a more balanced approach to achieve results that can directly inform business strategy. So-called soft indicators, which are not affected by the time-lag effect, are becoming more important, and case organizations across the industry were able to articulate examples, particularly in customer care (e.g., K-Spa and The George at Stamford) and innovation and learning (EcoTech and Flamingo Park Wildlife Encounter).

The tacit (behaviors and/or the constitution of mental states not ordinarily accessible to consciousness) dimension was apparent in performance measurement strategies, particularly for internal business processes and innovation and learning, which can lead to operators failing to review strategies rigorously, or frequently enough. If performance measures are to be successful, an attempt must be made to review them on a regular basis and in a systematic manner. K-Spa provides an example of how this can be achieved through their performance-related pay initiatives.

When digitizing performance measurement systems, SMEs should ensure that systems are fully integrated. Some of the case organizations operated computerized systems that were not compatible, and others were still operating with a combination of paper and electronic information systems. However, operators are aware of the benefits of digitization, and the cases illustrate the level of integration that can be achieved (e.g., The New Mill Restaurant and The George at Stamford).

Table 2 illustrates a hotel BSC based on the aggregation of metrics used by the two hotel case organizations. The level of IT-based, integrated financial reporting systems within the hotel industry is a significant driver for the control of supply and demand. Hotel operators value the accuracy and speed of information retrieval attained through digitization. Profitability is an important factor, as is forecasting. In terms of managing the customer relationship, case organizations place an emphasis on quality of service. Direct dialogue between the customer and staff is encouraged, and the notion of customer profiling is becoming increasingly important.

Hotels appear to place an emphasis on having clear business objectives and then implementing, tracking, and evaluating those objectives through the staff, who also act as drivers of innovation. Hotels invest heavily in motivating, training, and retaining their staff to achieve good results. Cross-industry comparison is undertaken to encourage innovation and stimulate learning among hoteliers.

**CONCLUSIONS AND MANAGERIAL IMPLICATIONS**

This study has identified performance measurement among best practice tourism, hospitality, and leisure SMEs. Nevertheless, not all organizations that were originally approached agreed to be interviewed, so the sample may be biased in terms of being representative only of those willing to participate in the study. However, we have identified priority factors—budgetary control, customer relationship management, strategic management, and collaboration—that are slightly different from Kaplan and Norton’s (1992) perspectives, which are financial, the customer, internal business processes, and innovation and learning. This reinforces the problems of SMEs simply implementing management tools developed in larger organizations.

This study recommends that managers within best practice SME tourism, hospitality, and leisure organizations who wish to develop effective performance measurement systems should incorporate digitization, holistic approaches, and well-trained and motivated staff into the process. Managers should aim for digitization to enable the swift and accurate retrieval of information from financial and management information systems, a system that would, in turn, allow for greater operational control. Effective performance measurement should be viewed holistically. Financial, customer-related, internal business process and innovation and learning should not be measured in isolation but must be viewed as part of a whole. There does appear to be a move throughout the industry in this direction, with the visitor attractions often offering the most tangible and creative examples (e.g., Flamingo Park Wildlife Encounter and EcoTech).

Staff should be acknowledged in the formation and performance measures. Well-trained and empowered staff enhance the guest experience, track and evaluate the effectiveness of internal business processes, and drive innovation and learning. It is encouraging that many of the case organizations involve staff in the performance measurement pro-
cess, in both informal (The Old Bell) and formal (K-Spa) capacities.

Given the paucity of literature examining business practices in tourism, hospitality, and leisure SMEs, the results illustrate that traditional BSC-type processes are appropriate. This study illustrates how firms can adopt the BSC to improve their performance measurement systems. The provision of more empirical research would certainly be useful to allow more accurate reflections about importance of the BSC. Finally, the lack of cross-country performance measurement comparison is an issue that needs to be addressed in the tourism, hospitality, and leisure industry. Best practice performance measurement presents significant opportunities for UK SMEs, so any attempt to create and implement national and international standards are timely. However, there will no doubt be reluctance and hesitation by some UK tourism, hospitality, and leisure organizations to adopt best practice, but we believe that there are overwhelming benefits to the industry. Moreover, even SMEs are competing in the global marketplace, so managers who wish to grow their business should be looking for suggestions derived from international collaborative studies. We believe that the diffusion of best practice performance measurement in national and international markets will be one of the keys to enhance performance among the UK and global tourism, hospitality, and leisure industry.

APPENDIX

CASE ORGANIZATIONS

1. The Angel Inn

The interview was conducted with the proprietor.

Background. The Angel Inn is situated in Skipton, North Yorkshire. It is an independently owned, proprietor-run restaurant. The establishment has won a number of awards, including the Booker Prize for Excellence 1998, the Publican Pub Caterer of the Year 1998, the Guide Michelin Bib Gourmand Red “M” 1997, the Egon Ronay Pub of the Year 1995, and the Automobile Association (AA) Newcomer of the Year 1992. The restaurant; its sister hotel, The General Tarlaton; and a small wine company run from the Angel employ approximately 60 staff.
2. EcoTech, Swaffham

The interview was conducted with the communications manager.

Background. EcoTech is an alternative energy centre in Swaffham, Norfolk. It has been funded by the United Nation’s Children’s Fund, the Countryside Agency, Business Link, and the Swaffham Learning Partnership. Facilities include the Discovery Centre, Wind Turbine, gardens and grounds, a shop, and a cafeteria.

There are 18 members of permanent staff, of whom approximately 8 are full-time. In addition the Discovery Centre employs 10–15 seasonal staff on temporary contracts. It holds Investors in People status.

3. Flamingo Park Wildlife Encounter

The interview was conducted with a family partner.

Background. Flamingo Park Wildlife Encounter is a family run visitor attraction in Seaview on the Isle of Wight. It opened in 1971, and recent awards include the 2002 Good Britain Guide Isle of Wight Family Attraction of the Year, the 2000 Best Visitor Attraction—Southern Region in the English Tourism Council (ETC) England for Excellence Award, and 1999 Top Place of Interest—Isle of Wight Tourist Board.

Sixteen staff are employed across the park, the gift shop, and the catering outlet. The management team consists of the four family partners, a livestock manager, a conservation manager, an education officer, and a gift shop manager.

4. The George at Stamford

The interview was conducted with the finance director.

Background. The George at Stamford is situated in Stamford, Lincolnshire. The establishment consists of a 47-bedroom hotel, restaurant, garden lounge, and bar, as well as three private dining rooms. It has been awarded three AA/Royal Automobile Club stars, one AA dining rosette, and is listed in the Egon Ronay and Good Food guides.

5. K-West (incorporating K-Spa)

The interview was conducted with the general manager and training manager.

Background. K-West is situated in Kensington, London. Facilities include a hotel, spa, restaurant, and bar. The establishment employs approximately 80 permanent staff and a further 41 from an agency. K-West’s sister hotel has piloted a staff-based performance measurement system that is now being introduced at the Kensington complex.

6. Matfen Hall Country House Hotel

The interview was conducted with the general manager.

Background. Matfen Hall is situated in Newcastle upon Tyne. It is a 31-bedroom hotel with a restaurant, conference facilities, and an 18-hole golf course (with 300 members). The establishment won the 2002 ETC Award of Small Hotel of the Year. It also holds a Pride of Northumbria Award and an ETC Silver Award. The organization employs approximately 90 staff and holds Investors in People status. It is a popular wedding venue with approximately 111 events planned in 2002.

7. The New Mill Restaurant

The interview was conducted with the proprietor.

Background. The New Mill Restaurant is situated in Eversley, Hampshire. It was awarded the 2002 AA Award for Outstanding Wine List and holds one AA dining rosette.

The establishment employs approximately 17 full-time and 4 part-time staff, supplemented by casual staff. The management team consists of the proprietor and his wife, the general manager, the restaurant manager, and the head chef.

8. The Old Bell

The interview was conducted with the leaseholder.

Background. The Old Bell is situated in Shifnal, Shropshire. The Punch Pubs Group recommended it to the study. The proprietor operates three units in total, with the Old Bell employing approximately 46 staff. The management team consists of the leaseholder, his wife, a head chef, and a restaurant manager.

9. Patshull Park Hotel and Country Club

The interview was conducted with the sales and operations manager.

Background. Patshull Park Hotel and Country Club situated on a 280-acre site in Pattingham, Shropshire. Facilities include an 18-hole golf course, a health and fitness centre, a gym, and a fishing lake. The hotel holds AA three-star and Investors in People status. It employs approximately 87 staff, and the management team consists of a general manager and department heads for rooms and sales, food and beverage and the country club (which is, in turn, broken down into health and fitness, golf, and fishing).

10. Pennyhill Park Hotel

The interview was conducted with the marketing manager.

Background. Pennyhill Park is a five-star 123-bedroom hotel situated in a 120-acre site, in Bagshot, Surrey. Facilities include 19 conference rooms, two restaurants, two bars, a nine-hole golf course, an outdoor pool, a tennis court, and a rugby pitch (the England team trains on site when playing at Twickenham). The hotel holds two AA dining rosettes. Sixty-five percent of its business comes from the conference and banquetting market, and approximately 190 staff are employed on site, making it one of the largest operations interviewed for the Industry Forum Adaption Programme study.

REFERENCES


