



**UNIVERSITI PUTRA MALAYSIA**

***BALANCED SCORECARD, BEHAVIOURAL FACTORS AND  
MANAGERIAL PERFORMANCE OF HOTELS IN MALAYSIA***

**SHAZRUL EKHMAR ABDUL RAZAK**

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**BALANCED SCORECARD, BEHAVIOURAL FACTORS AND MANAGERIAL  
PERFORMANCE OF HOTELS IN MALAYSIA**

**By**

**SHAZRUL EKHMAR BIN ABDUL RAZAK**

**Thesis Submitted To Graduate School of Management, Universiti Putra Malaysia,  
in Fulfilment of the Requirements for the Degree of Master of Science**

**August 2016**

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## **DEDICATION**

This thesis is dedicated to my beloved family for their words of encouragement throughout my journey. I will always appreciate all they have done.



Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfilment of the requirements for the Degree of Master of Science

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**August 2016**

**Chair : Mazlina binti Mustapha, PhD**

**Faculty : Graduate School of Management, Universiti Putra Malaysia**

Performance of hotel operation employees, especially the front-liners and managers is crucial in providing good quality of service to meet various customers' perceptions and expectations. However, negative behaviour such as lack of direction, motivation and commitment are factors that hamper managers' performance when they interact with the customers. Prior studies claimed that Balanced Scorecard (BSC) measures can provide information to clarify the roles of employees and motivate them to achieve better performance. Thus, this study intends to extend an earlier model to investigate the relationship between the BSC, behavioural factors and managerial performance in hotel sector in Malaysia. Specifically, this study investigates the mediating effect of behavioural factors (role clarity, psychological empowerment and organizational commitment) between the use of BSC measures and managerial performance. Goal-setting theory is adopted to explain the relationship between the variables. Data for the study was collected using questionnaire, which were distributed to managers of 3, 4, and 5-star hotels in Malaysia. Structural Equation Model (SEM) using AMOS 22.0 was employed to analyse the data. The findings indicated that the use of BSC is significantly associated with increased role clarity, enhanced psychological empowerment and improved organizational commitment, and these behavioural factors also have significant effect on managerial performance. These behavioural factors also appear to significantly mediate the relationship between BSC and managerial performance, in consistent with goal setting theory. These results provide information to Malaysian Association of Hotels and Ministry of Tourism and Culture for policy making decisions.

Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk Ijazah Master Sains

**BALANCED SCORECARD, BEHAVIOURAL FACTORS AND MANAGERIAL PERFORMANCE OF HOTELS IN MALAYSIA**

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Prestasi pekerja operasi hotel, terutama petugas barisan hadapan dan pengurus adalah penting dalam menyediakan perkhidmatan yang berkualiti untuk memenuhi pelbagai persepsi dan jangkaan pelanggan. Walau bagaimanapun, tingkah laku negatif seperti kurang kejelasan peranan, motivasi dan komitmen adalah faktor-faktor yang menghalang prestasi pengurus apabila mereka berinteraksi dengan pelanggan. Kajian-kajian lepas mendakwa pengukuran prestasi menggunakan Kad Skor Terimbang (KST) boleh memberikan maklumat untuk menjelaskan peranan pekerja dan memberi motivasi kepada mereka untuk mencapai prestasi yang lebih baik. Oleh itu, kajian ini bertujuan untuk melanjutkan model terdahulu dengan mengkaji hubungan di antara KST, faktor-faktor tingkah laku dan prestasi pengurus dalam sektor hotel di Malaysia. Secara spesifiknya, kajian ini mengkaji kepentingan faktor-faktor tingkah laku (kejelasan peranan, kuasa psikologi dan komitmen organisasi) bertindak sebagai pengantara dalam hubungan penggunaan KST dan prestasi pengurus. Teori penetapan matlamat diguna pakai untuk menjelaskan hubungan antara semua pembolehubah kajian. Data kajian ini dikumpul dengan menggunakan soal selidik yang telah diedarkan kepada pengurus-pengurus di hotel 3-bintang, 4-bintang, dan 5-bintang di Malaysia. Model *Structural Equation Model (SEM)* menggunakan AMOS versi 22.0 telah digunakan untuk menganalisis data. Dapatan kajian menunjukkan bahawa penggunaan KST mempunyai hubungan signifikan terhadap peningkatan kejelasan peranan, kuasa psikologi dan komitmen organisasi. Disamping itu, faktor-faktor tingkah laku juga mempunyai kesan yang signifikan ke atas prestasi pengurusan. Faktor-faktor tingkah laku juga merupakan pengantara yang signifikan dalam hubungan antara KST dan prestasi pengurusan, yang mana selari dengan teori penetapan matlamat. Dapatan ini memberi maklumat kepada Persatuan Hotel Malaysia dan Kementerian Pelancongan dan Kebudayaan Malaysia dalam membuat keputusan berkaitan dasar.

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I certify that a Thesis Examination Committee has met on 9 August 2016 to conduct the final examination of Shazrul Ekhmar bin Abdul Razak on his thesis entitled “Balanced Scorecard, Behavioural Factors and Managerial Performance of Hotels in Malaysia” in accordance with the Universities and the in accordance with the Universities and University Colleges Act 1971 and the Constitution of the Universiti Putra Malaysia [P.U. (A) 106] 15 March 1998. The Committee recommends that the student be awarded Master of Science.

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## LIST OF ABBREVIATIONS

AGFI	Adjusted Goodness of Fit Index
AIC	Akaike Information Correction
AVE	Average Variance Extracted
BSC	Balanced Scorecard
CFA	Confirmatory Factor Analysis
CFI	Comparative Fit Index
GDP	Gross Domestic Product
GFI)	Goodness of Fit Index
GNI	Gross National Income
MAH	Malaysian Association of Hotels
MCAR	Missing Completely At Random
MNAR	Missing Not At Random
MP	Managerial Performance
MI	Modification Indices
NFI	Normed Fit Index
NKEAs	National Key Economic Areas
OC	Organizational Commitment
PE	Psychological Empowerment
PMS	Performance Measurement System
PNFI	Parsimony Normed Fit Index
RC	Role Clarity
RMSEA	Root Mean Square Error of Approximation
SEM	Structural Equation Model
TLI	Tucker-Lewis Index
UNWTO	United Nations World Tourism Organization
VIF	Variance Inflation Factor



# CHAPTER 1

## INTRODUCTION

### 1.0 Overview

This chapter consists of eight sections. Section 1.1 presents the background of the study. Section 1.2 explains scope of the study. Section 1.3 discusses the problem statement. Section 1.4 provides justification for conducting this study. Section 1.5 and section 1.6 outline the research objectives and research questions respectively. The contributions of the study are discussed in section 1.7. Finally, this chapter ends with section 1.8, the organization of the study.

### 1.1 Background of the study

The importance of performance measurement system (PMS) to the management of organization is frequently highlighted in literature (de Waal & Kourtit, 2013; Gosselin, 2011; Hendricks, Hora, Menor, & Wiedman, 2012). Amongst others, PMS has been viewed as an influential system that can assist organizations to motivate individual's work behaviour, improve capabilities in business environment, and increase performance at all organizational levels (Franco-Santos, Lucianetti, & Bourne, 2012). Recently, organizations are required to deliver value to other stakeholders as well without focusing to the shareholders only. It is believed that PMS can help organizations to meet the demand of various stakeholders and, this may explain why organizations are emphasizing on the development and implementation of PMS (Neely, Yaghi, & Youell, 2008).

According to Taticchi, Balachandran, Botarelli and Cagnazzo (2008), interest in PMS has been notably increased over the last 20 years particularly the need for combining financial and non-financial measures in firm's PMS. The inclusion of non-financial performance measures is primarily due to the shortcomings of traditional PMS with too much attention given to the financial performance measures (McPhail, Herington, & Guilding, 2008). Financial measures was claimed not comprehensiveness and imprecise in evaluating performance by measuring the past performance rather than future performance (Gosselin, 2011; Lau, 2011; Rasit & Isa, 2014). Additionally, financial measures focuses heavily on short-term rather than long-term success (Khan, Ahmed, & Halabi, 2010). With regard to the above limitations, too much attention given to financial performance is inadequate to reflect the complete picture of companies operations and insufficient for planning, controlling and decision-making in current business environment of rapidly changing, challenging, and competitive (Jusoh, Ibrahim, & Zainuddin, 2008b; Khani & Ahmadi, 2012), particularly those in service sector with their fast moving nature and need to constantly improve performance (Sainaghi, Phillips, & Corti, 2013).

In order to overcome the above shortcomings of traditional PMS, academics and practitioners have frequently advocated organizations to adopt a PMS such as Balanced Scorecard (BSC) for its rich combination of financial and non-financial measures (Gosselin, 2011; Jusoh et al., 2008b; Rasit & Isa, 2014). The rationale of adopting BSC measures is that this system is assumed to offer managers information regarding to what

is most essential for the daily business operations and where efforts must be directed for achieving long-term performance (Khan et al., 2010). On top of that, it can be indicated that BSC measures may assist managers to recognize changes inside and outside of the organizations, thus assisting them to measure performance towards goal attainment (Hoque, 2004).

Literature has recognised the importance of using BSC measures to the work performance of individual managers (Aunurrafiq, Sari, & Basri, 2015; Burney, Henle, & Widener, 2009; Hall, 2008; Lau, 2011). This line of study indicates that financial and non-financial measures in the BSC will provide managers with information related to firm's critical success factors which are deemed important for them to excel in managing firm's operations (de Waal & Kourtiti, 2013). Thus, it can be argued that the information from the BSC is likely to direct managers towards greater effort to achieve organization's goals and objectives. In particular, the BSC is expected to have positive effects on managers' behaviour to enable them to perform well in the organization. This is because the information provided by the BSC is expected to be useful for managers as their roles require them to take into consideration multiple aspect of business operations. However, while the effect of PMS like the BSC to the organizational performance have been extensively studied, its effects to managers behaviour and performance is questionable (Lau, 2015). Therefore, this study intends to provide a useful insight on the effect of BSC on managerial behaviour and performance.

Locke and Latham (1991) suggest that human actions are directed by specific goals. They posit that specific goals can clarify individual's job expectation, give individuals a motivation towards goal attainment, and achieve better performance. According to Franco-Santos et al. (2012), goal-setting theory explained that individual in an organization may contribute high performance with the use of specific performance measures in the BSC. Performance measures in BSC involve initiatives to clarify, guide and motivate employee to perform at high level. The theory posits that individual performance in an organization is improved when the BSC is able to provide information to (1) clarify employees work role (Lau, 2011), (2) to enhance their intrinsic motivation (Sulaiman, 2008), and (3) to improve commitment toward achieving organizational goals (Aunurrafiq et al., 2015). As such the role clarity, intrinsic motivation factors and organizational commitment could act as a bridge to further improve the link the BSC and employee's performance.

The use of financial and non-financial measures such as in the BSC is needed for employees at all levels of organization, especially those working in hotel sector (Cheng, Luckett, & Mahama, 2007). Hotel operations comprise of three different activities which are rooms, beverage and food (Evans, 2005; Harris & Mongiello, 2001), which exhibit different roles and expectations among employees. The diversity of business activities appears that hotels in a particularly need for the BSC as their performance measurement system (McPhail et al., 2008; Evans, 2005). Employees in hotel, particularly operation managers, often take on multiple roles as boundary spanners to hotel's interest and customer's expectations. As a results, they are exposed to a work situation of high role conflict and work stress (Karatepe & Uludag, 2008). When hotel organizations are able to communicate and translate their goals in terms of specific and clear performance measures, such as the one included in the BSC, managers are able to understand their roles, induce motivation and commitment to accomplish their job-related activities, (de Waal & Kourtiti, 2013), which in turn produce better work performance.

Based on the discussion above, this study attempts to explore the use of BSC as antecedent to influence managers' behaviour that lead to better performance. Rasit and Isa (2014) provide reasons of managerial failure in an organization which include lack of clarity or direction on performance expectation, lack of motivation and lack of commitment to achieve organization's goals. More specifically, this study focuses on the mediating effect of role clarification, motivation and commitment between the use of BSC and managerial performance (in this study, the term managers and employees is used interchangeable which refers to operation employees that involve in hotel's main operations).

## **1.2 Scope of the study**

Global tourism industry has been on the increase in recent years, and many countries are currently considering tourism as one of the largest and fastest growing industry in the world (Bharwani & Mathews, 2012). In 2014, travel and tourism's contribution to global economy increased to 9.8% of global Gross Domestic Product (GDP), and the industry created nearly 284 million jobs (World Travel and Tourism Council, 2015). The positive impact of tourism industry does not only felt by developed nations, but it also has expended its influence as an important sector in many developing countries in Asia and Africa (Mohd Azmi & Awang, 2013).

In Malaysia, the tourism industry has been identified as one of the main contributors to the growth of service sector in particular and to the national economy in general (Foo & Othman, 2011). To date, tourism industry is the second largest source of foreign revenue and the six largest components in the Malaysian economy, with contribution of RM51.5 billion to the Gross National Income (GNI). According to Choo and Nasurdin (2013), the growth of tourism is attributed to the increasing number of tourist arrivals to Malaysia. For instance, the number of international tourists who visited Malaysia increased to 27.44 million in 2014, 6.7% higher from 25.72 million in 2013 (Tourism Malaysia, 2015). The increasing number of tourist arrivals explains why United Nations World Tourism Organization (UNWTO) ranked Malaysia into top ten of international tourist arrivals for 2014, second best in Asia after China and the only South-East Asian country to be listed in UNWTO Tourism Highlight. Consequently, the tourism industry contributed RM72 billion to tourist receipts, 10% more than RM65.44 billion revenue generated in 2013.

It has been acknowledged that hotels play a significant role in complementing and supporting the growth of Malaysian tourism industry (Abu Kasim & Minai, 2009; Auzair, 2011). In fact, hotel is the key provider to the tourism industry in Malaysia (Auzair, 2011; Choo & Nasurdin, 2013; Foo & Othman, 2011) for its large contributions to total tourist expenditure with 30.4% in 2014 (Tourism Malaysia, 2014). Considering most tourists would be in a situation of being away from home, therefore, the need for accommodation likes hotel is vital for them (Wang & Ritchie, 2012). It can be shown by the increasing number of hotels in Malaysia to 4,072 in 2014, 31% higher than 2013, to accommodate domestic and international tourists (Cheng & Abdul Rashid, 2011; Khalid, 2013).

Tourism is one of the National Key Economic Areas (NKEAs) with aims to propel Malaysia into high income economy by the year of 2020. Given the importance of the hotel sector in supporting the nation's tourism industry, it is vital for hotel operators to



constantly maintain and improve hotel performance by providing good service quality to the customers (Foo & Othman, 2011; Jaafar, Toh, & Sukarno, 2011). In addition, it is reported that the quality of 3, 4, 5-star hotel in Malaysia is crucial to the growth of tourism as they act as a benchmark to the other categories of hotels (ETP Annual report, 2013). Hence, this study focuses on these 3, 4, 5-star hotels as it is claimed that to meet the national agenda of realizing the economic potential of tourism industry, and these category of hotels are particularly contributing to the Malaysian economy.

### **1.3 Problem statement**

The hotel sector in Malaysia has been in the limelight due to its significant support to tourism and national economy. Unfortunately, hotel sector is not immune from challenges that have an impact on its performance (Bharwani & Mathews, 2012). Increasing number of hotels and rooms supply in Malaysia have made hotel business environment characterized as very competitive (Foo & Othman, 2011; Razalli, 2008). In addition, the basic service facilities (accommodation) among hotels are relatively homogenous. Hence, hotels have to adapt themselves to the competitive environment and find ways to improve their performance by differentiating themselves from other competitors. For hotels, their performance depends on how they deliver services to create value to customers (Auzair, 2011; Kasim & Minai, 2009; Razalli, 2008b).

However, inconsistency in service quality and inability to meet customers need are often two major issues related to the hotel sector in Malaysia (Awang, Ishak, & Radzi, 2009). Lau, Akbar and Fie (2005) provide evidence that hotel guests perceived service quality of 4 and 5-star hotels in Malaysia were lower than their expectation. They suggested that hoteliers in Malaysia should address this issue by identifying the factors that can improve service quality to meet the customer's need. In addition, the Ministry of Tourism and Culture (formerly known as Ministry of Tourism) had received many complaints from tourists and locals alike that hotels in Malaysia are not up to their standards ("Tighter criteria," 2007). Recently, Ismail (2014) exposed that service quality of hotels in Malaysia is still low compared to their counterpart in Thailand and Indonesia. It showed that the issue of service quality has not been properly addressed although it has been previously highlighted over the years. Low level of service contributes to poor hotel performance. Consequently, there has been a call for hotels to upgrade their service quality, meeting customers' preference and improve performance ("Beri Perkhidmatan Terbaik," 2014).

It should be noted that providing good service quality to customers is important for hotel to gain competitive advantage over competitors in marketplace (Tavitiyaman, Qu, & Zhang, 2011). Nowadays, other than offering comfortable facilities, the quality of services offered by the hotel has become a major concern for the customers. For hotels to be successful to deliver high service quality, they need to emphasize on performance of employees, especially front-liners and operation managers, because service quality offered by them is vital in determining the level of customers' satisfaction (Lu, Berchoux, Marek, & Chen, 2015). In addition, other than serving the customers, they also need to assist lower employees and fulfil demands from top management, resulting in high work expectations (Kim, Murrmann, & Lee, 2009). Acting as boundary-spanners of both hotel's and customer's interest, they are confronted with work situation without clear role, motivation and commitment in performing their operational duties (Fock et al.,

2011; Kim et al., 2009). Lack of role clarification, lack of intrinsic motivation and lack of commitment are factors that reduce employee performance and lead them to quit their job (Alan, Salleh, & Hemdi, 2009; Rasit & Isa, 2014). Consequently, it is difficult for hotel to provide consistent service quality with high turnover (Abdullah et al., 2010; Alan et al., 2009) which might be the factor that contribute to the low level of service quality. Hence, it is important for hotel management to reduce employee's turnover and increase their performance by inspiring positive behaviour of role clarity, psychological empowerment and organization commitment (Sulaiman, 2008). Unfortunately, it is claimed that hotel managements have made little effort to comprehend how influencing positive behaviour improves performance of hotel managers (Choo & Nasurdin, 2013; Kim, Lee, Murrmann & George, 2012).

According to Franco-Santos et al. (2012), one way to assist organization to influence positive behaviour that lead to better performance is using the BSC. The information from the BSC measures will provide managers understanding of where the organization is heading, and assists the managers to perform his/her function in bringing the organization to future success (Aunurrafiq et al., 2015). However, to what extent the BSC influences positive behaviour, which in turn, affects performance of managers in hotel setting is still remain not well understood (Lau, 2011; Ponton, 2010).

Therefore, the present study attempts to examine the effect of BSC measures on behavioural factors namely, role clarity, psychological empowerment, organizational commitment and managerial performance. This study is based on a sample of 3, 4 and 5-star hotels in Malaysia and findings of this study are expected to provide evidence on the effect of BSC measures on behavioural factors, which in turn, improves managers' performance.

#### **1.4 Justification of the study**

Performance measurement system is still remains a debated and an important issue among academicians, practitioners and researchers (Gosselin, 2011; Jusoh et al., 2008b; Rasit & Isa, 2014). One of the issue is due to the limitation of traditional PMS with too much attention given on financial measures. Focusing on financial measures at the expense of the other critical element in organization, such as customer and employee, is not suitable for organization to make better decision in achieving long-term performance (Jusoh et al., 2008b). In order to overcome the limitation of traditional PMS, Kaplan and Norton (1996) have introduced the BSC, which provides multiple non-financial and financial measures. Appendix B (pg. 108) listed previous studies relating to PMS. It indicates that majority of research on this topic has shifted its focuses to the BSC. Nevertheless, studies on BSC are mostly done in developed countries, and within specific industry such as manufacturing (Gosselin, 2011; Henri, 2006; Hoque, 2004; Lee & Yang, 2011) with not much research focuses on hotel sector (Auzair, 2011; Haktanir & Harris, 2005).

Earlier research focused on design of PMS such as the BSC. It is due to the premise that there is no universally appropriate or perfect control system which applies equally to all organizations in all circumstances. Hence, it is suggested that the design of BSC will depend upon the specific circumstances where organization operates (Otley, 1980). Prior research noted that the contextual variables, such as strategy, environment, culture, technology, have a positive influence in the design of the BSC (Gosselin, 2011; Hendricks et al., 2012; Hoque, 2004; Khan et al., 2010; Lee & Yang, 2011). Next, prior



research shifts its attentions to the use of BSC in an organization (Elzinga, Albronda, & Kluijtmans, 2009). Specifically, the study focuses on impact of BSC on organization performance (Crabtree & Debusk, 2008; Davis & Albright, 2004; Lee & Yang, 2011). The evidence found that the use of BSC improves organization performance. In addition, firms that use BSC are found to outperform firms that do not use BSC, in terms of financial performance (Davis & Albright, 2004).

In Malaysia, there are several studies that have been conducted on the BSC (refer Appendix B, pg. 108). These studies focused on the factors that influence the use of BSC (Jusoh, Ibrahim, & Zainuddin, 2008a; Jusoh et al., 2008b; Jusoh, 2010; Ong & Teh, 2008), perceptions of middle managers to the BSC implementation (Ayoub, Omar, & Abdul Rahman, 2013), and the cause-and-effect among the four BSC perspectives (Ong, Teh, Lau, & Wong, 2010). Besides, Jusoh et al. (2008b) have confirmed that the use of financial and non-financial measures in BSC did improve financial performance of firms in Malaysia. However, most of these studies were done in manufacturing sector. Less attention is given to understand the importance of performance measures in other sector such as hotel sector, particularly in Malaysian business environment (Braam & Nijssen, 2008; Perera, Herbert, & Saba, 2007). In addition, these studies focus on the performance of the organization, and little attention were given to employees' performance. Thus, this study attempt to fulfil this gap by examining the PMS in hotel sector and its effects on performance of employees especially the managers.

With regard to focus of this study, hotel performance depends on the quality of services they provide to meet customers' expectations. Therefore, there is a need to maintain and improve hotel employees' performance so that consistent service quality could be provided. Management accounting has recognized the importance of understanding the effect of BSC on individual performance (Hall, 2011). However, there is still limited study on the effect of the BSC on individual performance in an organization (Lau, 2011), in case of this study is performance of hotel managers.

Notwithstanding, several literature have provide evidence relating to the relationship between the BSC and managerial performance (Burney & Widener, 2007; Hall, 2008; Lau, 2011, 2015). Further, prior studies identified that the relationship between the BSC and managerial performance is mediated by behavioural factors such as role ambiguity (Burney & Widener, 2007), psychological empowerment (Hall, 2008) and role clarity (Hall, 2008; Lau, 2011, 2015). However, the findings of these studies are still ambiguous (Lau, 2015). Prior study (*see* Lau, 2011, 2015) isolates the effect of the BSC on managerial performance into financial and non-financial measures, leaving the effect of the combination of financial and non-financial in BSC is still not well understood. Hall (2008), on the other hands, did not examine the effect of performance measures in the BSC on managerial performance but the BSC is measured in terms of its characteristics.

According to Yang (2010), organizational commitment is a behavioural factor towards influencing positive employee performance in hotel sector. Committed employee will demonstrate positive behaviour which in turn give greater effort to achieve the organization's goals. It should be noted that hotel employees deal with high role expectations. At times, dealing with too much expectation may lead hotel employees to role conflict and to engage in dysfunctional activities, which are outside the scope of their roles (Kim et al., 2009). It is expected that goals that are translated into set of performance measures in BSC will increase employees' commitment towards achieving organization goals (Aunurrafiq et al., 2015).

This study attempts to contribute to body of knowledge of the relationship between the use of BSC and manager's performance particularly, in the context of Malaysian hotel sector. First, this study will extend the model developed by Hall (2008) to further examine the relationship between the use of BSC (which use both financial and non-financial measures) and managerial performance. Second, organizational commitment is an important factor to improve individual performance in hotel setting. Thus, this study attempts to include organizational commitment as an additional mediating variable to role clarity and psychological empowerment, in explaining the relationship between the use of BSC and managerial performance. Overall, the purpose of this study is to examine the effect of the use of BSC on behavioural factors namely, role clarity, psychological empowerment and organizational commitment, which in turn, improve performance of hotel managers in Malaysian hotels.

### **1.5 Research objectives**

The objective of the study is to obtain a clear picture of BSC measures being used in Malaysian hotels and its effects on behavioural factors (namely, role clarity, psychological empowerment and organizational commitment) and managerial performance.

Specifically, the objectives of this study are as follows:

1. To examine the relationship between the use of BSC measures and behavioural factors namely, role clarity, psychological empowerment and organization commitment;
2. To investigate the relationship between the behavioural factors (role clarity, psychological empowerment, organization commitment) and managerial performance;
3. To investigate the mediating role of behavioural factors (namely, role clarity, psychological empowerment and organization commitment) on the relationship between the use of BSC measures and managerial performance.

### **1.6 Research questions**

In order to achieve the objectives above, research questions have been formulated as follows:

1. What is the relationship between the use of BSC measures and behavioural factors namely, role clarity, psychological empowerment and organization commitment?
2. What is the relationship between behavioural factors (role clarity, psychological empowerment, organization commitment) and managerial performance?
3. Do role clarity, psychological empowerment and organization commitment mediate the relationship between the use of BSC measures and managerial performance?

## **1.7 Significance of the study**

### **1.7.1 Literature contributions**

This study seeks to contribute to the management accounting literature in a number of ways. First, this study meets previous calls in the literature for attention to be paid on the PMS in service sector generally and particularly in hotel sector (Chenhall, 2003; Davis & Albright, 2004). Haktanir and Harris (2005) claims that there is still limited research pertaining to PMS in hotel sector. Thus, this study attempts to contribute to literature by providing empirical evidence on PMS research in the context of hotel setting.

Next, there is growing concern on the impact of PMS to individual performance. Although the inclusion of non-financial measures in firm's PMS has been acknowledged, its influence to individual managerial performance is not well cleared (Lau & Sholihin, 2005). Therefore, this study is expected to contribute to limited literature on the impact of BSC measures on managerial performance. Moreover, this study contributes to prior research (e.g. Lau, 2011; Hall, 2011; Hall, 2008) by examining the direct and/or indirect links of PMS on work performance, and also extends the limited body of empirical evidence on the effect of PMS on psychological empowerment, role clarity and organizational commitment. Lastly, this study meets the previous call to study the mediating role of role clarity, psychological empowerment and organization commitment on the relationship between PMS and managerial performance in service organizations particularly in hotel setting in developing countries.

### **1.7.2 Practical contributions**

The findings of this study are expected to be useful to practitioners in number of ways. In order for hotels to remain competitive in current business environment, hoteliers should be aware of the challenges of external and internal factors in developing and maintaining competitive advantage over competitors. The PMS particularly the BSC is claimed significant for an organization to cope with these challenges as this system enables hotel to measure and manage all critical success factors (financial, customer, internal processes and employee) as a whole. With the introduction of the BSC measures, it is anticipated that this management tool will assist hotel to integrate the previously separate critical elements in a coherent system, which in turn, enhance the information used to support management control and decision-making processes within the organization.

In hotel sector, employee performance plays a major role in providing quality service to meet customer expectations. Satisfied or dissatisfied customers depend on the service quality they experiences from employee. Therefore, it is important to improve employees' performance through their behaviour. This study expects that performance may be improved through the use of role clarity. Hence, hotel organizations should prepare appropriate job description for employee and communicate their expectation to employees through continuous training programme. Such efforts may potentially reduce employee's role ambiguity.

Kim et al. (2012) argued that empowerment is the antidote of employee turnover in hotel sector. Since this study anticipates that empowerment has positive influence on performance, it is expected that hotel organizations would recognize the need to

empower their employee. Empowerment may improve employee performance to deliver good service quality as expected by customers. Empowerment intrinsically motivate employee to be committed in performing their job; empowerment build their sense of pride and make them feel responsible for their job so that they will be able to give more prompt and better quality service to customers.

Finally, the finding is expected to improve performance through organizational commitment. Employee who is committed towards organizational goals wants to be part of the organization and may willingly want to achieve those goals. With regard to hotel sector, organizational commitment will motivate employee to find appropriate solutions in dealing with customer's expectations. As such, this finding is important for hotel management to provide a sense of commitment to hotel employee particularly during the training and development session.

## **1.8 Organization of the thesis**

The organization of this thesis is explained as follows.

### **Chapter 1: Introduction**

Chapter 1 starts with the overview of this study. Specifically, this chapter highlights the background of the study, problem statement, research objectives and research questions. The contributions of this study are also discussed in this chapter. Finally, this chapter ends with the organization of the whole thesis.

### **Chapter 2: Literature Review**

Chapter 2 provides reviews on the relevant literature regarding to performance measurement system, balanced scorecard, role clarity, psychological empowerment, organizational commitment and managerial performance. The relevant theories are also discussed in this chapter. The theoretical framework as well as the hypotheses of this study is proposed after reviewing the literature.

### **Chapter 3: Methodology**

This chapter covers the methodology adopted in this study. Specifically, the chapter elaborates the research design that is appropriate for this study. Next, data sources and collection method are explained to ensure data collected representing the scope of the study. It is followed by the explanation of technique used to determine the adequate sample size. The survey instrument is developed where the measurement of the research variables is also provided in this chapter. Finally, chapter 3 briefly explains the statistical analysis employed to analyse the collected data.

### **Chapter 4: Analysis and Results**

Chapter 4 reports the results for the study. The results comprise of preliminary and main findings. IBM SPSS is used to discuss the preliminary findings. Structural Equation Model (SEM), on the other hands, elaborates the main findings which are used to support or reject the hypotheses constructed earlier in chapter 2.

## **Chapter 5: Discussion and conclusion**

Chapter 5 starts with a summary of the findings for this study. It continues with the comprehensive discussion on the findings which is based the research objectives. Next, the study explains several limitations of this study as well as provides recommendations for future research. This chapter ends with the overall conclusion of the study.



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## APPENDIX A Questionnaire



Dear sir/madam,

### **PERFORMANCE MANAGEMENT SYSTEM IN MALAYSIAN HOTELS**

I am Shazrul Ekhmar B. Abdul Razak, currently enrolled in the Master of Science (Accounting) program at Putra Business School, Universiti Putra Malaysia. In fulfilment of this thesis-based program, I am conducting a study on the use of performance management system (PMS) in hotels in Malaysia.

The purpose of this study is **to assess the relationship between the use of performance management system, behavioural factors and managerial performance in Malaysian hotels**. It is aimed to seek better understanding on the links between how the use of performance management system influences hotel managers' behaviours which in turn improve their performance.

I would like to take this opportunity to request you to participate in this survey. The questionnaire will take approximately **10-15 minutes** to be completed. The value of this study depends upon responses from industry experts such as yourself. Please be reassured that the information provided by you will be kept **anonymous and confidential**. It will strictly be used for academic purposes only. A summary of report would be given to you upon request.

If you have any enquiries, you may contact me directly by email at [shazrulse@gmail.com](mailto:shazrulse@gmail.com) or by phone at 011-12376624.

I would like to thank you in advance for your participation in answering this questionnaire.

Yours faithfully,

Shazrul Ekhmar bin Abdul Razak  
MSc. Accounting  
Putra Business School  
Universiti Putra Malaysia  
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## SECTION A: PERFORMANCE MANAGEMENT SYSTEM WITHIN YOUR HOTEL

**Performance management system is an integrated system that combines financial and non-financial measures to provide managers with information to make decisions and influence their behaviour that enables them perform effectively.**

For each of the categories listed below, please indicate **the extent** to which relevant **performance measures** within each category are used in your hotel. Using the scales below, please tick (X) the most appropriate response for each item.

Not at all	To a very small extent	To a small extent	To a moderate extent	To fairly great extent	To a great extent	To a very great extent
1	2	3	4	5	6	7

No.	Financial perspective	1	2	3	4	5	6	7
1.	Achieving budget targets							
2.	Achieving total revenue							
3.	Percentage increase in Revenue per available room (REVPAR)							
4.	Revenue growth rate							
5.	Total operating revenue							
6.	Room occupancy							
7.	Total room sales							
8.	Net profit							
9.	Yield management							
10.	Food and beverage sales							
11.	Total operating costs							
12.	Food and beverage cost							
13.	Labour cost percentage							

No.	Customer perspective	1	2	3	4	5	6	7
1.	Customer satisfaction surveys							
2.	New customer acquisition							

3.	Customer retention and loyalty							
4.	Customer profitability							
5.	Repeat reservation							
6.	Hotel image and brand							
7.	Mystery guest							
8.	Local market share							
9.	Responding to guest needs/expectation							
10.	Number of customer complaints							
11.	Number of customer suggestion							
12.	Number of customer orders received							
13.	Number of customer orders completed							
14.	Market segmentation							

No.	Internal processes perspective	1	2	3	4	5	6	7
1.	Service quality survey							
2.	Customer-employee interaction quality							
3.	Service environment quality							
4.	Hotel management efficiency enhancement							
5.	Guest comment card							
6.	Service errors and failure rates							
7.	Time required to complete key process and Tasks (e.g., check in/out, breakfast seating serving, maintenance calls, etc.							
8.	Number of complaint response							
9.	Revenue by segment							
10.	Level of staff absenteeism rate							
11.	Total number of workers/customers injured							



No.	Learning & growth perspective	1	2	3	4	5	6	7
1.	Employee performance appraisal rating							
2.	Employee turnover surveys							
3.	Employee training and development programs							
4.	Employees' satisfaction							
5.	Number of new products/services offered							
6.	New market identified							
7.	Number of training completed by managers/staffs							
8.	Employee complaint/feedback							
9.	Employee empowerment							
10.	Employee retention							
11.	Adoption of information technology							
12.	Recognition of service excellence							
13.	Number of hourly employees able to work in at least one other area of hotel							

## SECTION B: BEHAVIOURAL FACTORS

**In this section, I would like to obtain a general understanding of how behavioural factors affect managerial performance. The three behavioural factors that are likely to affect your performance are role clarity, psychological empowerment and organizational commitment.**

Using the scales below, please response to the following components by ticking (X) the appropriate response to indicate your level of agreement with the following statements.

Strongly disagree	Disagree	Slightly disagree	Neutral	Slightly agree	Agree	Strongly agree
1	2	3	4	5	6	7

### Role clarity

*Role clarity refers to the extent to which you receive and understand information required to do your job. Role clarity enables you to be aware of what your roles and responsibilities are and what your organization expects from you.*

No.	Item	1	2	3	4	5	6	7
1.	Clear, planned goals and objectives exist for my job.							
2.	I know exactly what is expected of me in my job.							
3.	I feel certain about the level of authority I have.							
4.	I know what my responsibilities are.							
5.	I know that I have divided my time properly.							
6.	Explanation is clear of what has to be done.							
7.	I know how my performance is going to be evaluated.							

### Psychological empowerment

*Psychological empowerment refers to the act of giving you authority to make decision related to your job without neglecting the responsibilities that come along it. Empowerment enables you to respond to the need of the various customers at the point of service delivery.*

No.	Item	1	2	3	4	5	6	7
1.	The work I do is meaningful to me.							
2.	My job activities are personally meaningful to me.							
3.	I am confident about my skills necessary for my jobs.							
4.	I am confident about my ability to do my job.							
5.	I am self-assured about my capabilities to perform my work activities.							
6.	I have mastered the skills necessary for my job.							

7.	I have significant autonomy in determining how I do my job.							
8.	I can decide on my own how to do about doing my work.							
9.	I have considerable opportunity for independence and freedom in how I do my job.							
10.	My impact on what happens in my department is large.							
11.	I have a great deal of control over what happens in my department.							
12.	I have significant influences over what happens in my department.							

### **Organizational commitment**

*Organizational commitment refers to the individual's attachment to, loyalty to, and identification with the organization. Organizational commitment will promote your willingness to achieve organizational goals, whereby improve your performance.*

No.	Item	1	2	3	4	5	6	7
1.	I would accept almost any job to keep working for this hotel.							
2.	I find that my values and hotel's values are very similar.							
3.	I am proud to tell others that I am part of this hotel.							
4.	This hotel really inspires the very best in me to do my task.							
5.	I am able to do what I do best every day.							
6.	I am extremely glad that I chose this hotel to work for over others I was considering at the time I joined.							
7.	I really care about the fate of this hotel.							
8.	This hotel has a great deal of personal meaning for me.							
9.	I am willing to achieve this hotel's goals and values.							

## SECTION C: MANAGERIAL PERFORMANCE

The following statements help us to develop greater understanding managerial performance. Using scales below, **please rate (X) each of the following areas that best describes your performance:**

Well below average	Low	Below average	Average	Above average	High	Well above average
1	2	3	4	5	6	7

No.	Item	1	2	3	4	5	6	7
1.	<b>Planning:</b> determining goals, policies, and courses of action such as work scheduling, budgeting, and programming.							
2.	<b>Investigating:</b> collecting and preparing of information usually in the form of records, reports and account (measuring output, record keeping and job analysis).							
3.	<b>Coordinating:</b> exchanging information with people in organization other than my subordinates in order to relate and adjust procedures, policies and programs.							
4.	<b>Evaluating:</b> assessment and appraisal of proposals or of reported/observed performance (e.g. employee appraisals, judging financial performance and product inspection).							
5.	<b>Supervising:</b> directing, leading and developing your subordinates.							
6.	<b>Staffing:</b> maintaining the work force of your responsibility area (e.g. selecting and promoting your subordinates).							
7.	<b>Negotiating:</b> purchasing, selling, or contracting for products or services (e.g. contracting suppliers, collective bargaining).							

8.	<b>Representing:</b> advancing the general interests of my organization through speeches, consultations, or contact with individual or groups outside the company.							
9.	<b>Overall, how do you rate your performance?</b>							

#### SECTION D: ORGANIZATION/RESPONDENT'S PROFILE

Please response by ticking the box that best describes your demographic characteristics.

##### 1. Gender:

	Male
	Female

##### 2. How old are you? \_\_\_\_\_ years old

	20 – 30 years old
	31 – 40 years old
	41 – 50 years old
	51 – 60 years old
	61 years old years old and older

##### 3. Educational level:

	High school
	Certificate
	Diploma
	Bachelor degree
	Master/MBA
	Others (please specify):

	_____
--	-------

##### 4. What is your position?

	Manager
	Assistant manager
	Supervisor
	Others (please specify): _____

**5. Please state your department:**

	Front office
	Housekeeping
	Food and beverage
	Administrative (office)
	Others (please specify): _____

**6. Number of years in current position: \_\_\_\_\_ years**

	Less than 5 years
	5 – 10 years
	11 – 15 years
	More than 15 years

**7. Number of years working in the current hotel: \_\_\_\_\_ years**  
*(Irrespective of current position)*

	Less than 5 years
	5 – 10 years
	11 – 15 years
	More than 15 years

**8. Number of years working in the hotel sector: \_\_\_\_\_ years**

	Less than 5 years
	5 – 10 years
	11 – 15 years
	More than 15 years

**9. Current star rating of your hotel:**

	3-star hotel
	4-star hotel
	5-star hotel

**10. Type of your hotel's affiliation:**

	Chain
	Independent

**THANK YOU FOR YOUR COOPERATION**

## APPENDIX B Review of Literature

**Appendix B Past studies on PMS**

Author	Country	Industry	PMS type	Studies on PMS		
				The design of PMS	Consequences of PMS	Level of analysis
Davis & Albright (2004)	US	Banking	BSC		✓	Organization
Hoque (2004)	Australia	Various industries	Non-financial measures	✓		Organization
Gosselin (2011)	Canada	Manufacturing	BSC	✓		Organization
Hendricks et al., (2012)	Canada	Various industries	BSC	✓		Organization
Crabtree & Debusk (2008)	US	Various industries	BSC		✓	Organization
(Henri, 2006)	Canada	Manufacturing	Characteristics of PMS	✓		Organization
Lee & Yang (2011)	Taiwan	Various industries	BSC	✓	✓	Organization

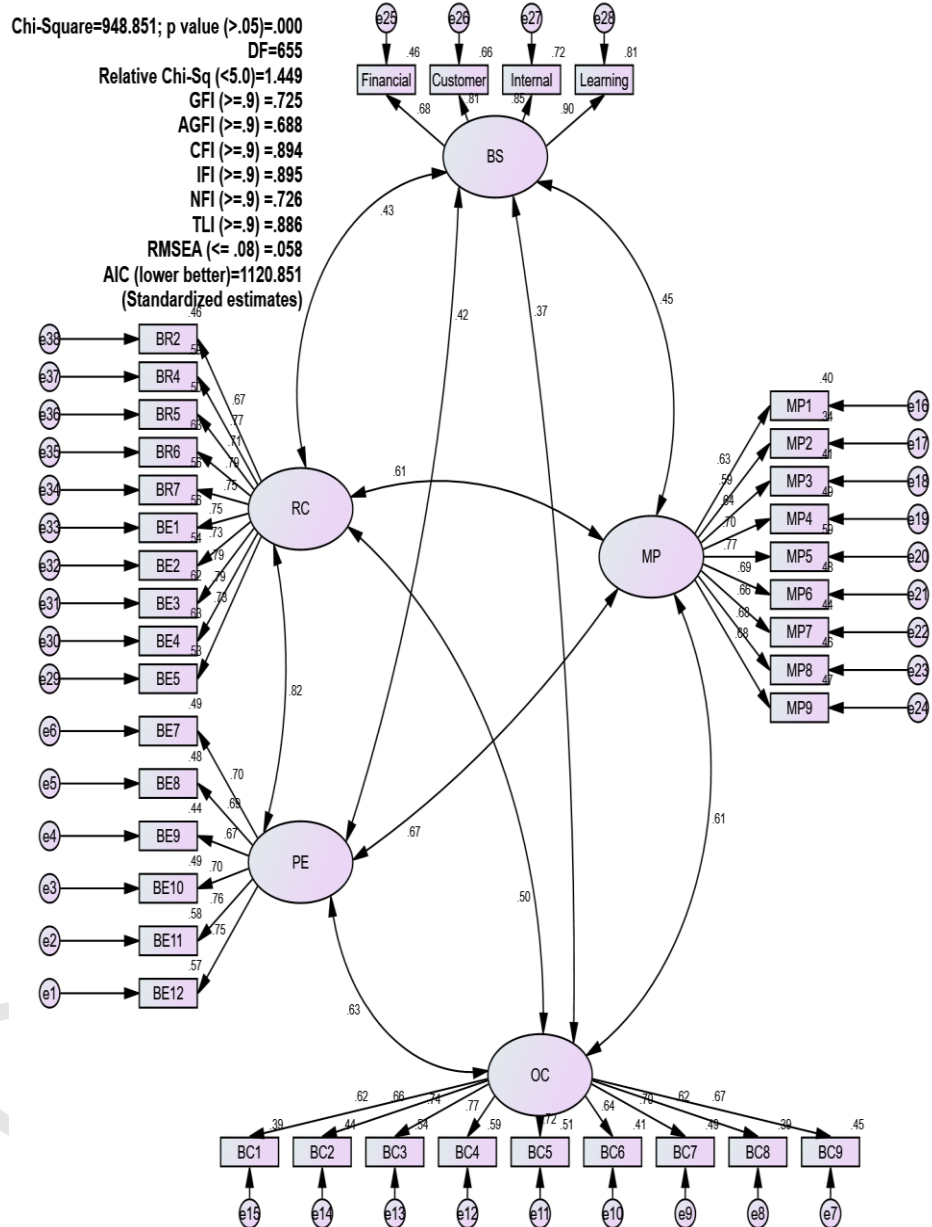


Author	Country	Industry	PMS type	Studies on PMS		
				The design of PMS	Consequences of PMS	Level of analysis
Khan et al., (2010)	Pakistan	Manufacturing	BSC	✓		Organization
Burney & Widener (2007)	US	Various industries	Financial measure Non-financial measures		✓	Individual
Lau (2011)	Australia	Manufacturing	- Financial measure - Non-financial measures (isolate)		✓	Individual
Hall (2008)	Australia	Manufacturing	Characteristics of PMS		✓	Individual
Lau & Sholihin (2005)	Indonesia	Manufacturing	Non-financial measures		✓	Individual

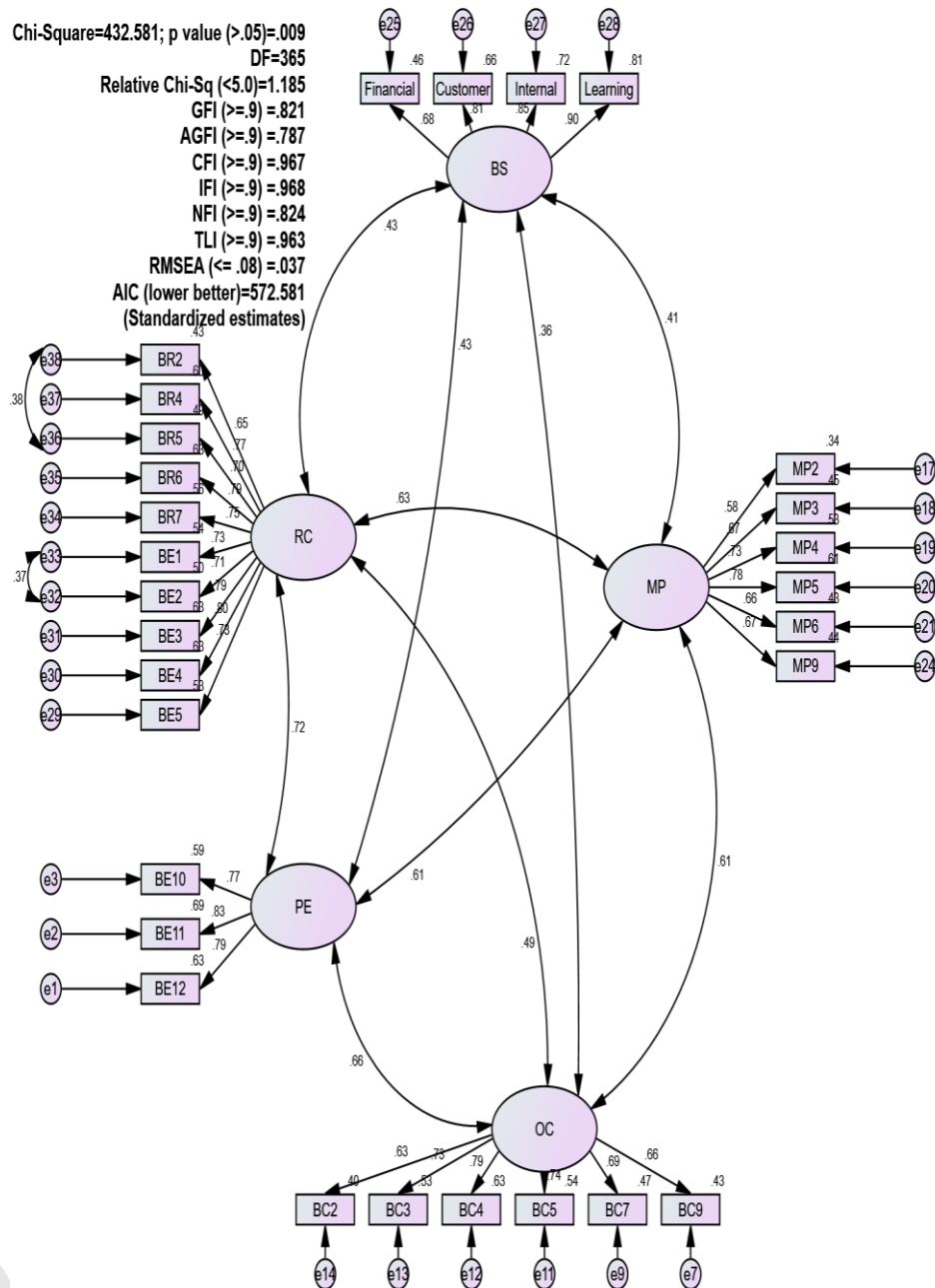
Author	Country	Industry	PMS type	Studies on PMS		
				The design of PMS	Consequences of PMS	Level of analysis
Jusoh, Ibrahim, & Zainuddin (2008a)	Malaysia	Manufacturing	BSC	✓		Organization
Jusoh, Ibrahim, & Zainuddin (2008b)	Malaysia	Manufacturing	BSC		✓	Organization
Ong, Teh, Lau, & Wong (2010)	Malaysia	Various industries	BSC Cause-and-effect of BSC perspectives		✓	Organization
Ong & The (2008)	Malaysia	Manufacturing	Characteristics of PMS	✓		Organization
Ayoub, Omar, & Abdul Rahman (2013)	Malaysia	Government-liked company	Perception of BSC implementation			Organization
Jusoh (2010)	Malaysia	Manufacturing	BSC	✓		Organization

## APPENDIX C Structural Equation Model (SEM)

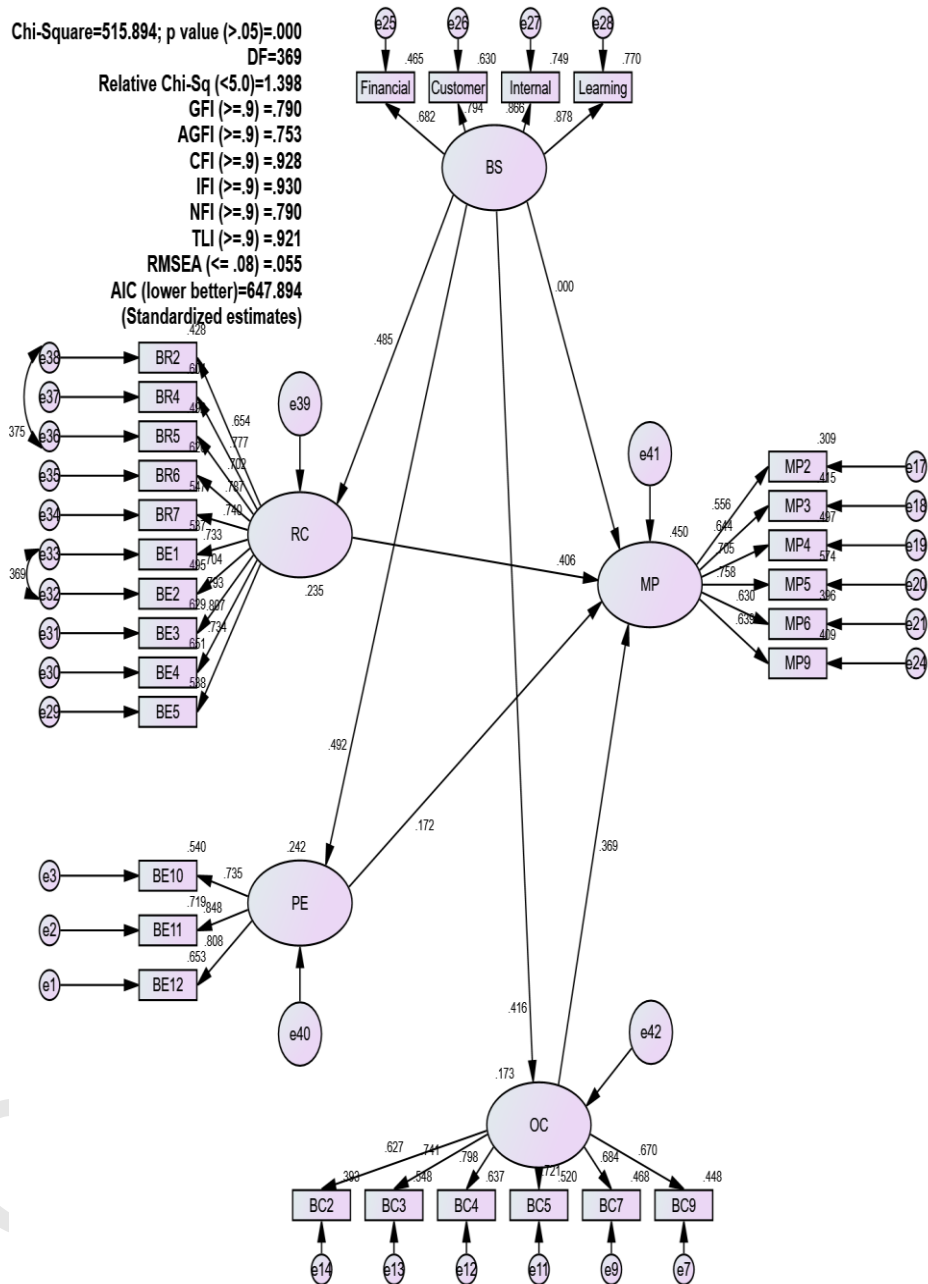
Figure C1.1 Measurement Model (before revision)



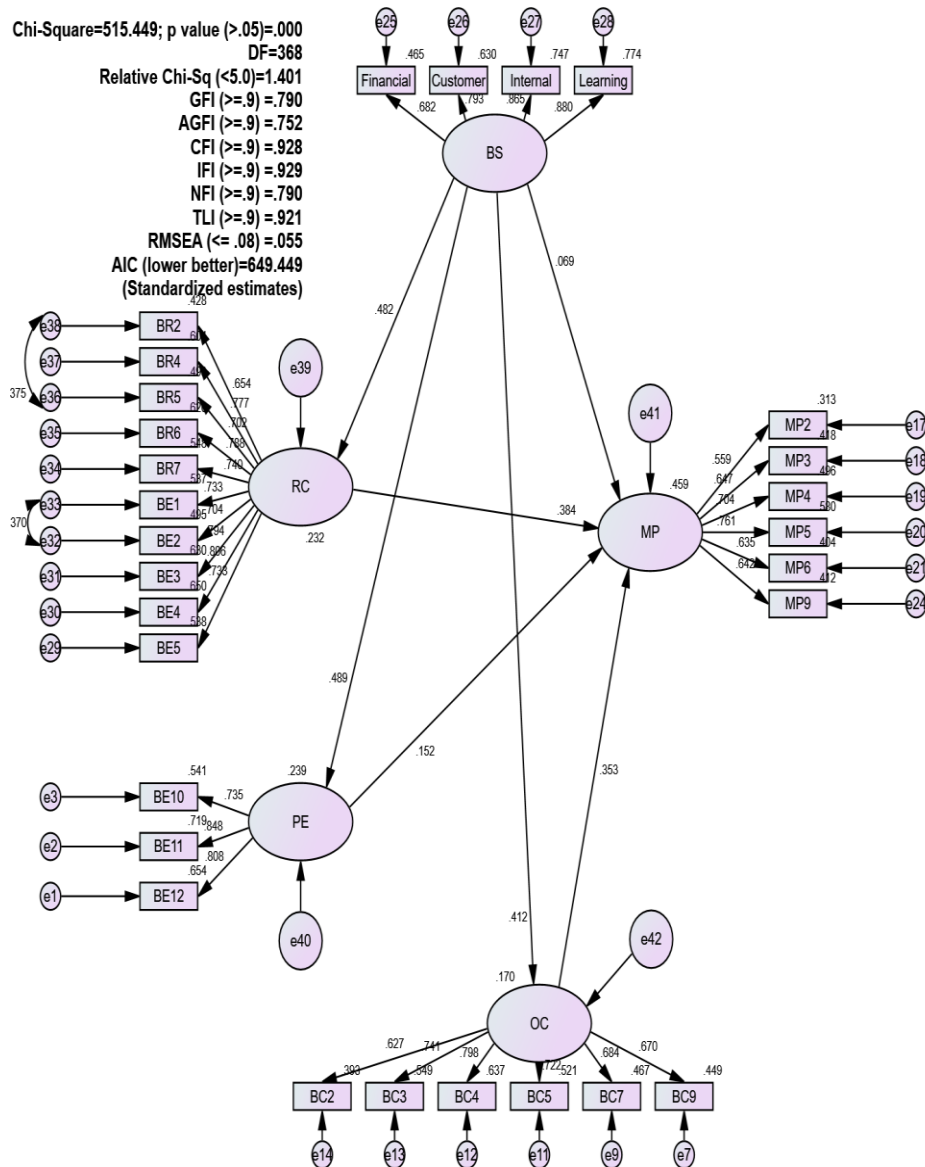
**Figure C1.2 Measurement Model (after revision)**



**Figure C1.3 Structural equation model (full mediation model)**



**Figure C1.4 Structural equation model (partial mediation model)**



## **BIODATA OF STUDENT**

Shazrul Ekhmar Abdul razak was born in Malacca on 2 January 1989. He had his primary and secondary school at Sek. Keb. Pulapah from 1996 to 2001. Next, he went to Sek. Men. Keb. Tunku Besar Tampin for his secondary education from 2002 to 2006, where he seated for PMR and SPM in 2004 and 2006 respectively. After completion his secondary school, he pursued his study at Perlis Matriculation College majoring in Accountancy for one year from May 2007 to May 2008.

He began his tertiary education at Faculty of Economics and Management, Universiti Putra Malaysia in 2008. He graduated and received Bachelor of Accountancy in 2012.

Realize his passion in searching and contributing to field of education, he immediately enrolled as Master of Science student specialized in accounting at Graduate School of Management, Universiti Putra Malaysia in September 2012.









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