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The use of management accounting systems in hotels: an exploratory study

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Abstract

In this study we investigate use of management accounting systems by general managers and department managers in luxury hotels. We also investigate general managers' emphasis on financial and non-financial performance indicators while they evaluate their department managers' performance. In addition, managers' satisfaction with details and availability of their hotel's management accounting system (MAS) is assessed. The results indicate that general managers and department managers make equal use of MAS for both short and long-term decisions. However, a detail analysis of the data by manager groups indicates that general managers differ from department managers with respect to their use of MAS for making decisions. Furthermore, general managers, compared to department managers, are found to be more satisfied with the frequency in which MAS is available to them. On the issue of department managers' performance evaluations by general managers, the results reveal that general managers put more emphasis on financial than on non-financial performance indicators. The department managers in the study were in charge of food and beverage and room departments. The sample is rather small; only 35 managers from one region in Australia participated in the study. Therefore, any generalisation of the results requires caution. © 2001 Elsevier Science Ltd. All rights reserved.

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1. Introduction

The business environment in the hotel industry is highly competitive; each hotel in the industry faces direct and indirect competition from other hotels. The highly

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competitive environment prompts hotel managers to meet their customers' expectations much more closely to ensure the survival and success of the business. An appropriate information system in a hotel can help managers satisfy their customers' expectations and achieve organisational goals (Damonte et al., 1997). Chenhall and Morris (1986), Johnson (1990) and Mia and Chenhall (1994) argue that provision of the necessary information by MAS assists managers in enhancing the quality of decisions they make, thereby improving their organizational performance (see also Downie, 1997). The MAS in an organisation is expected to be available to managers in an appropriate format and on demand to satisfy managers' information needs (Dent, 1996; Govindarajan, 1984; Mia and Chenhall, 1994; Simons, 1990).

This paper reports the results of a study that examined the usefulness of MAS in the luxury hotels in Australia. Section 1 of the paper presents the motivation for undertaking the study in the hotel industry. Section 2 discusses the need for the MAS in the industry and the use of comprehensive performance evaluation for subordinate managers. The research methodology, results, discussion, conclusion, limitations and future research directions are discussed in their respective sections.

2. Motivation for the study

There is empirical evidence in the manufacturing industry that supports the positive association between managers' use of the MAS and performance (Biema and Greenwald, 1997; Mia and Clarke, 1999). However, similar empirical or even anecdotal evidence on the existence of such a relationship in the hotel industry is lacking, despite the industry's growing economic importance (Collier and Gregory, 1995; Harris and Brander Brown, 1998). For example, between 1950 and 1994, the number of international tourists increased across the globe from 25 to 532 million, and it is expected to further increase by 200 million by the turn of the century (WTO, 1998). The number of international tourists received by Australia has also increased from less than one million in 1985 to 4.8 million in 1996, a five-fold increase during the period. It is expected that a similar rate of increase will continue (WTO, 1998). Such a large increase in tourism activity makes a significant contribution to the national economy, for instance, by creating employment, and increasing GDP and invisible exports.

It is argued that the empirical evidence available in the manufacturing industry may not be applicable in the hotel industry. Mia and Chenhall's (1994) results provide such an example. Mia and Chenhall (1994) report that marketing managers, compared to the production managers, in the manufacturing industry face a higher level of uncertainty at work. This is because, the marketing managers are required to deal with the external environment, in particular, customers and competitors, and as such, they derive a greater benefit from the use of MAS. However, Mia and Chenhall's results may not be applicable in the hotel industry as all managers in a hotel, irrespective of their level of position and functional responsibility, are constantly exposed to both the external (customers and competitors) and the internal

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