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Enhancing hotel managers' organisational commitment: an investigation of the impact of structure, need for achievement and participative budgeting

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Abstract

This study investigates the role of decentralised structure and managers' need for achievement as antecedents of participative budgeting, and the impact of the concurrent relationships of all three preceding variables on organisational commitment. Ninety-one managers from the Australian hotel industry participated in the study and data were analysed using path analysis. Direct and positive relationships were found between the two antecedent variables: decentralised structure and managers' need for achievement, and participative budgeting. Participative budgeting, in turn, was found to have a direct and positive relationship with organisational commitment. The results of the study have implications for the design of effective management control processes and for human resource management of hospitality organisations. © 2002 Elsevier Science Ltd. All rights reserved.

Keywords: Participative budgeting; Organisational structure; Need for achievement; Organisational commitment; Participative management

1. Introduction

The hospitality industry has been traditionally characterised by low job morale and high turnover (Deery and Shaw, 1999; LaLopa, 1997). For example, according to the American Hotel Foundation's 1998 "Turnover and diversity in the lodging industry" report, the national turnover in 1997 for line-level employees was 91.7%, 13.5% for property managers and 11.9% for supervisors (Worcester, 1999). Iverson

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and Deery (1997, p. 82), however, argue that “the hospitality industry, and in particular five-star hotels, cannot afford excessive turnover. This dramatically increases costs and reduces the quality of services provided”. Prior research in organisational management identifies organisational commitment as an important factor for lowering turnover and improving job performance (Randall, 1990; Mathieu and Zajac, 1990). Organisational commitment is defined as employees’ acceptance of organisational goals, their willingness to exert effort on the organisation’s behalf and remain with the firm (Angle and Perry, 1986; Porter et al., 1974).¹ Mowday et al. (1982) argue that understanding of the processes related to organisational commitment has implications for both the employees and the organisation. From an individual’s viewpoint, his or her commitment to an organisation may make the individual more eligible to receive both extrinsic rewards such as bonuses and awards, and intrinsic rewards such as job satisfaction and positive relationships with colleagues. From an organisation’s perspective, employees’ commitment to the organisation is important since it is negatively associated with employees’ lateness to work, absenteeism and turnover, which in turn, have implications for overall organisational performance (Randall, 1990).

Empirical evidence on factors affecting the organisational commitment of hotel employees, however, remains scant. LaLopa (1997) in his study of non-supervisory resort employees, reports a positive association between employee interaction with customers and organisational commitment. Other researchers examining the effects of participative management strategies based on empowerment philosophies in the hotel industry argue that such strategies will increase employee involvement, and this in turn, will lead to more favourable job-related outcomes such as organisational commitment (Gray and Ligouri, 1994; Parsons, 1995). At the same time, there are increasing calls for research relating to accounting-based planning and control systems in hotels and their effects on employee job-related outcomes (Rustch, 1991; Becker and Olsen, 1995). Potter and Schmidgall (1999) in their recent review of management accounting practices in the hospitality industry also highlight the need for further research connecting the design of accounting systems and the overall organisational design and culture of a property. No study to date, however, has examined the direct relationship between accounting-based planning and control systems and organisational commitment. Such evidence is clearly important for developing appropriate accounting-based planning and control systems that facilitate effective human resource management in the hotel industry.

The objective of this study is to examine the impact of accounting-based planning and control systems on the organisational commitment of managers in the hotel industry. More specifically, this study tests a model of organisational commitment with participative budgeting as the focal accounting-based planning and control

¹ Meyer et al. (1990) and Morrow (1993) distinguish between ‘affective’ commitment and ‘continuance’ commitment. While ‘affective’ commitment relates to the attitudinal or psychological bond which employees have with their organisation, ‘continuance’ commitment relates to the notion of weighing the cost benefit of leaving a company in terms of remuneration. The present study focuses on the affective dimension of organisational commitment.

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