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ENHANCING HOTEL MANAGEMENT THROUGH ACCOUNTING PRACTICES: DOES MANAGEMENT COMMITMENT MATTER?

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Abstract

The hotel industry has gained wide acceptance as a viable driver of economic growth through its affiliation with the tourism sector in Nigeria. Many of these hotels fail without fulfilling this expectation due to poor management arising from weak accounting practices and inadequate commitment on the part of management of the hotels. This study examined the effect of accounting practices on management of hotels in Calabar metropolis. A descriptive research design was adopted for the study and data was collected using a self-reported questionnaire. The sampled population consist of management and senior staff of hotels and the survey instrument was served on 174 respondents of hotels in Calabar metropolis. Analysis was conducted using the multiple regression technique. Findings showed that accounting practices had a positive and significant relationship with effective hotel management. Furthermore, the hierarchical regressions performed indicated that management commitment moderated the relationship between cost control and effective hotel management. Also, management commitment moderated the relationship between budgeting practices and effective hotel management. However, management commitment did not moderate the relationship between revenue management practices and effective hotel management. This has implications for practice as managers seek better ways of enhancing service and securing the going concern of their businesses.

Keywords: effective hotel management, accounting practices, budgeting, Hotel businesses

Introduction

Accounting is an important tool for facilitating business decision making and the overall operations of a business. Accounting practices refer to the methods adopted by a business in implementing its accounting policies and adhering to accounting principles that will aid business performance. Accounting practices are intended to help the business operate in an effective manner that guarantees accurate reporting of events that transpired within a period for effective decision making. It includes daily recording, planning, evaluation and monitoring of economic transactions which provide a basis for decision making. A business' going concern status could be threatened except adequate accounting practices are adopted which provides a basis for continuous monitoring of operations.

The hotel industry is rapidly expanding as government now realized this sector is key to the growth of tourism in the country. As such, attention has been directed here with a view to encouraging more investment in the sector. Every successful hotel venture needs sound financial management to grow and remain in business. This is made possible through imbibing accounting practices that provide the foundation for success. Accounting is highly significant to the hotel industry because it enables insights into the financial status of the business. For example, by using real time reporting of financial activities, the business is regularly updated, and managers become well informed on the direction of their business. Agarwal (2016) observed that with good accounting practices the hotel industry would be better managed. Better allocation and use of resources can be achieved where proper accounting practices are imbibed in a business.

Hotel management is a system involving the planning, controlling, directing, coordinating and organizing the operations of a hotel business. This cuts across every unit of the hotel business. It also includes making decisions on marketing, strategic planning, managing resources and managing customers. Thus, to effectively manage a hotel, accounting practices are a necessity. According to Jones et al. (2000) accounting practices are a necessity because business owners can understand their businesses and be better positioned to develop strategies that would foster business expansion and growth. Conversely, Goltz (2011) asserts that poor accounting practices accounts for the top ten reasons why small and medium scale enterprises (SMEs) fail. He further concluded that efficient control of a business entity depends on the owner's knowledge of good accounting practice. Also, Huck and McEwen (1991) argued that knowledge of finance and accounting constitute one of the twelve competency area for SMEs success. This implies that business survival hinges on the establishment of good accounting practices. For example, Okoli (2011) linked proper accounting record keeping of hotels to profitability. Furthermore, Aremu and Adeyemi (2011) reported that audit of SMEs was often difficult to conduct because of poor accounting practices by SMEs. Most of them lacked basic accounting records and these account for the high failure of the sector. Apart from the little to no implementation of accounting practices, hotel businesses have been reported to be battling low customer satisfaction, poor employee performance, poor management of hotel infrastructures. Also, the commitment of top management. In essence, for accounting practices to translate into effective hotel management, commitment on the part of the management is essential. Management dictates the tone in every organization and the success of processes within an organization depends on the support from the top.

Several studies have been conducted to show the relationship between accounting practice and various aspect of business. Rahamon and Adejare (2014) examined the effect of accounting records kept by hotels on hotel's performance. Their study found a significant relationship between accounting records and hotel performance. Similarly, Chelimo and Sopia (2014) reported that bookkeeping enhanced profitability of SMEs in Kenya. However, Chelimo and Sopia's study did not test the relationship between bookkeeping and SMEs profitability, rather conclusions were drawn from responses to questionnaires which required yes or no answers. Also, Aoako et al. (2014) found that most hotels do not maintain appropriate accounting records citing high cost of adopting accounting controls and poor bookkeeping skills. The study further found that the size of the hotel determines a firm's formal adoption of accounting practices. Although some relationships have been found between aspects of accounting practices and performance of hotels, this study further argues that the commitment of top management is needed to harness the benefits of accounting practices on hotel management. Therefore, this study argues that while accounting practices can facilitate hotel management, commitment from management could further enhance the positive effects of accounting practices on effective hotel management.

Literature Review

Hotel management

Hotels offer customers comfort during their temporary stay. This includes accommodation, food drinks, recreation, and other services. To do these effectively, managers resort to various managerial techniques. Therefore, hotel management involves planning, controlling, directing, and coordinating the activities of the hotel for improved performance. Hotel management is critical to the survival of the hotel business. It involves the development of a responsive system that handles the operations of the business in a profitable and capable of delivery the other objectives (Bataveljic, 2016).

Accounting Practices

Accounting practices incorporate all activities related to financial accounting, cost and management accounting, internal controls, and revenue management. The aim is to ensure transactions are properly identified, recorded and analyzed with a view to providing management with information that aids decision making. In this study, budgeting, financial, revenue management and cost control formed the basis for evaluating accounting practices in hotels. Some studies have examined aspects of accounting practices and business performance (see (Jauhari, 2006; Schmidgall, 2012.). For example, Pellinen (2003) concluded that cost information was important for hotel pricing. Also, efficient allocation of resources was linked to the application of revenue management techniques (Pellinen, 2003).

Management commitment

Management sets the tone in any organization and the success of any goal depends on the commitment of those saddled with the responsibility for ensuring plans succeed. Therefore, commitment on the part of management is crucial. The drive for change and success is elusive without management commitment (Ahire & O’Shaughnessy, 1998). Commitment refers to strong convictions and attitudes a person displays towards attaining a goal (He et al., 2012). Furthermore, it is a continuous pursuit of goals and constantly reviewing them with a view to attaining the goal. Commitment can be affective, continuance, and normative (Lämsä & Savolainen, 2000). Management commitment has been linked to various organizational outcomes. For example, management commitment has been linked to attainment of strategic objectives, service quality, innovation, effective leadership, successful implementation of new processes (Bourgeois & Eisenhardt, 1988; Hoffman & Hegarty, 1993; Turner, 2008; Dubihlela & Rundora, 2014). These studies show that in the adoption of accounting practices in the management of hotels, management commitment can moderate the relationship as commitment is key to attaining any given goal.

Methodology

Sample and procedure

The study’s sample was made up of 174 managers and senior staff of hotels in Calabar. These were selected because of their positions in the management of their various hotels as they are better positioned to provide answers to the research instrument. Cross sectional data were collected using a self-reported questionnaire. Respondents to the study were assured of the confidentiality of their responses and effort was made not to identify any response to a particular hotel. Data from questionnaires collected were screened for errors. Of the 174 respondents, 50.3 % (88) were male and 49.7 % (87) were female. In terms of age, 54.6% (96) were below 30 years and below while 34.9% (61) of the respondents were between 31-40 years of age and 10.3% (18) were 41 years and above. Furthermore, in terms of work experience,43.4% (76), 41.1% (72) had between 5-10 years work experience while15.4% (27) had above 10 years of experience.

Multiple regression was performed to test the study's hypothesis using SPSS Version 26 for the direct relationships while hierarchical regression was performed to ascertain the moderating effect of management commitment on the relationship between each of the accounting practices dimensions and effective hotel management. P-values were used to ascertain the level of significance of the hypothesized relationships. Hence, a p-value of 5% or less with t-value of 1.96 or more was considered significant.

Measures

Hotel management is a system involving the planning, controlling, directing, coordinating and organizing the operations of a hotel business. This cuts across every unit of the hotel business. It also includes making decisions on marketing, strategic planning, managing resources and managing customers. A description of hotel management practices was given and respondents answered based on what best describes their business. The instrument was measured on a Likert scale with responses ranging between strongly disagree (1) to strongly agree (5).

Accounting practices were measured based on whether these practices are present in their hotels. A description of the practices was given, and the instrument was measured on a Likert scale with responses ranging between strongly disagree (1) to strongly agree (5). The dimensions examined in this study include budgeting practices (BP), revenue management (RM) and cost control (CC)

Management commitment was measured in line with the works of Lämsä and Savolainen (2000). The instrument was measured on a 5-point Likert scale with responses ranging between strongly disagree (1) to strongly agree (5).

The data collected using the research instrument was subjected to validity and reliability tests. The results indicated that the instrument was valid as well as reliable as most of the items met the threshold for validity and reliability. The results are displayed on Table 1.

Table 1
Test of validity and reliability

s/no	Variables	KMO	Bartletts' Test of Sphericity	Eigenvalue	Variance Explained (percent)	Cronbach's Alpha
1	HM	0.7354	sig	2.65	66.42	0.818
2	BP	0.589	sig	2.138	63.573	0.716
3	RM	0.642	sig	2.454	69.072	0.792
4	CC	0.632	sig	1.867	62.25	0.683
5	MC	0.813	sig	3.22	64.17	0.891

HM: hotel management, BP: budget practices, RM: revenue management, CC: cost control, MC: management commitment.

Results and discussion

Descriptive statistic and correlation analysis

Table 2 and 3 shows the descriptive statistic for the variables and the results of correlations test. The results showed that budgeting practices, revenue management, cost control and management commitment (BP, RM, CC and MC) had positive and significant correlations with hotel management (BP: $r = 0.735$, $p < 0.05$; RM: $r = 0.729$, $p < 0.05$; CC: $r = .578$, $p < 0.05$; MC: $r = .658$, $p < 0.05$). This suggests that as accounting practices improve effective management of hotels increases too. Furthermore, the results indicate a positive and significant association among the variables (see Table 2).

Table 2
Descriptive statistics and correlations

Variable	Mean	SD	HM	BP	RM	CC	MC
HM	4.368	0.418	1				
BP	4.329	0.502	0.735**	1			
RM	4.458	0.501	0.729**	0.607**	1		
CC	4.207	0.577	0.578**	0.563**	0.372**	1	
MC	4.238	0.742	0.658**	0.599**	0.516**	0.568**	1

**Correlation is sig. $p < .05$

Also, the standard deviation for all the variables were higher than their means, suggesting a low variation in the responses. The skewness and kurtosis showed normality of data as scores were within the benchmark of ±2.58 (Hair *et al.*, 2010).

Table 3
Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	Std. Dev.	Skewness	Kurtosis
HM	175	1	5	4.368	0.418	- 0.749	1.561
BP	175	1	5	4.329	0.502	- 1.195	2.564
RM	175	1	5	4.458	0.501	- 0.984	0.547
CC	175	1	5	4.207	0.577	- 0.988	1.151
MC	175	1	5	4.238	0.742	- 2.015	1.951

Direct Effects of BP, RM and CC on HM

A multiple regression analysis was conducted to examine the relationship between the three of proxies for accounting practices and effective hotel management. The model is significant with F (3,171) = 133.343 and $p < .05$. This portrays a linear relationship between dependent and independent variables. The adjusted R^2 of the model is 0.695 indicating that 69.5% of the variance in effective hotel management is explained by BP, RM and CC and the results indicated that BP (*t-value* 5.822, $p < .05$), RM (8.307, $p < .05$) and CC (4.356, $p < .05$) had a significant and positive relationship with HM. This indicates that accounting practices can enhance effective hotel management. These results affirm earlier studies that found similar results between various accounting practices and dimensions of hotel performance. The results are presented on Table 4.

Table 4
Coefficients showing the contribution of accounting practices to effective hotel management

Model	Unstandardized coefficients		Standardized coefficients	*t*	*Sig.*	Tolerance	VIF
	B	Std. Error	Beta				
BP	0.287	0.049	0.345	5.822	0.000*	0.499	2.003
RM	0.365	0.044	0.438	8.307	0.000*	0.630	1.587
CC	0.160	0.037	0.221	4.356	0.000*	0.681	1.468
Constant	0.823	0.780	-	4.613	0.000*	-	-
R	0.837						
R^2	0.701						
Adjusted R^2	0.695						
F-value	133.343				0.000*		
n	175						

a. Dependent variable: Effective Hotel Management (HM). * sig. $p < 0.01$

Moderating Effect of management commitment

Accounting practices give direction to business operations by helping management ascertain transactions with a view to taking vital decisions that would enhance its operations. This study posits that accounting practices on its own has a limit but with the commitment of management, performance of the hotels could be enhanced. According to Alhaqbani et al. (2016) management commitment is vital to the progress and survival of any business. Accordingly, management commitment is seen in this study as vital in ensuring that accounting practices produce maximum results for the management of a hotel business. Therefore, Hierarchical regression was performed using management commitment as a moderator between the relationship existing between the BP, RM, CC, and HM. According to Baron and Kenny (1986), the following steps were followed in ascertaining the moderating MC on the relationship between each independent and the dependent variable. Hierarchical regression was performed which involves regressing the independent variable against the dependent variable in the first instance followed by moderating variable and lastly, including the independent variable, moderating variable, and the interaction term in the model. This is done separately for all the independent variables and the moderating variable. The results are shown on Tables 5, 6, 7 and 8.

In testing for the moderating role of MC on the relationship between BP and HM, firstly, BP was regressed against HM and the results were significant, R^2= .540, F (1, 173) = 203.35, $p <$ .05. Next, MC was added to the model and the results were still significant, ΔR^2 = .61, *F* (1,172) = 32.98, $p < .05$. Lastly, an interaction term between BP and MC was added to the regression model and the results were significant, ΔR^2 = .67, *F* (1,171) = 27.12, $p < .05$. The result affirms the moderating effect of MC on the relationship between BP and HM.

Similarly, the same procedure was applied in testing the moderating effect of MC on the relationship between RM and HM. In the first model RM was regressed against HM and the results were significant, R^2= .530, F (1, 173) = 196.63, $p < .05$. Next, MC was added to the model and the results were still significant, ΔR^2 = .64, *F* (1,172) = 51.78, $p < .05$. Lastly, an interaction term between RM and MC was added to the regression model and the results were not significant, ΔR^2 = .64, *F* (1,171) = 0.08, $p > .05$. The result showed that MC did not moderate the relationship between RM and HM.

Lastly, the moderating effect of MC on the relationship between CC and HM was examined. In the first step, CC was regressed against HM and the results were significant, R^2= .330, F (1, 173) = 86.84, p < .05. MC was then added to the model and the results remained significant, ΔR^2 = .49, F (1,172) = 54.54, p < .05. An interaction term between MC and CC was then added to the model and the results remained significant ΔR^2 = .56, F (1,171) = 24.81, p < .05. The results affirmed the outcome of Alhaqbani *et al*. (2016) who found top management commitment contributed positively to the success of an organization.

Table 5
Model summary on the moderating effect of MC on the relationship between BP, RM, CC, and HM.

Model		R	R^2	Adj. R^2	Std. error of estimate	Change statistics				Sig. F change
						R^2 change	F change	df1	df2	
A.	1	0.74	0.54	0.54	0.28	0.54	203.35	1	173	0.00*
	2	0.78	0.61	0.61	0.26	0.07	32.98	1	172	0.00*
	3	0.82	0.67	0.66	0.24	0.05	27.12	1	171	0.00*
B.	1	0.73	0.53	0.53	0.29	0.53	196.63	1	173	0.00*
	2	0.80	0.64	0.64	0.25	0.12	51.78	1	172	0.00*
	3	0.80	0.64	0.63	0.25	0.00	0.08	1	171	0.78
C.	1	0.57	0.33	0.34	0.34	0.33	86.84	1	173	0.00*
	2	0.70	0.49	0.29	0.29	0.16	54.54	1	172	0.00*
	3	0.75	0.56	0.28	0.28	0.06	24.81	1	171	0.00*

A. (1) predictors: BP; (2) Predictors: BP, MC; (3) predictors: BP, MC, BP*MC
B. (1) predictors: RM; (2) Predictors: RM, MC; (3) predictors: RM, MC, RM*MC
C. (1) predictors: CC; (2) Predictors: CC, MC; (3) predictors: CC, MC, CC*MC
D. Dependent variable

Table 6
Coefficients of BP, MC, BP*MC

Model A		Unstandardized coefficients		Standardized coefficients	t	sig
		B	Std. error	Beta		
1.	(Constant)	1.715	0.187	-	9.161	0.000*
	BP	0.613	0.043	0.735	14.260	0.000*
2.	(Constant)	1.635	0.173	-	9.475	0.000*
	BP	0.443	0.049	0.532	8.991	0.000*
	MC	0.191	0.033	0.340	5.742	0.000*
3.	(Constant)	1.026	0.199	-	5.161	0.000*
	BP	0.496	0.047	0.595	19.547	0.000*
	MC	0.271	0.035	0.481	7.831	0.000*
	BP*MC	0.183	0.035	0.096	5.207	0.000*

Dependent variable: HM; *p < 0.05

Table 7
Coefficients of RM, MC, RM*MC

Model B		Unstandardized coefficients		Standardized coefficients	t	sig
		B	Std. error			
1.	Constant	1.658	0.194	-	8.525	0.000*
	RM	1.473	0.043	0.729	14.023	0.000*
2.	Constant	1.473	0.173	-	8.516	0.000*
	RM	0.443	0.044	0.531	9.955	0.000*
	MC	0.216	0.030	0.384	7.196	0.000*
3.	Constant	1.446	0.200	-	7.238	0.000*
	RM	0.446	0.046	0.535	9.686	0.000*
	MC	0.219	0.032	0.389	6.914	0.000*
	RM*MC	0.010	0.036	0.015	0.275	0.784

Dependent variable: HM; $*p < 0.05$

Table 8
Coefficients of CC, MC, CC*MC

Model C		Unstandardized coefficients		Standardized coefficients	t	sig
		B	Std. error			
1.	Constant	2.606	0.191	-	13.653	0.000*
	CC	0.419	0.045	0.578	9.319	0.000*
2.	Constant	2.282	0.172	-	13.235	0.000*
	CC	0.218	0.048	0.301	4.575	0.000*
	MC	0.274	0.037	0.487	7.385	0.000*
3.	Constant	1.728	0.196	-	8.803	0.000*
	CC	0.205	0.045	0.284	4.544	0.000*
	MC	0.405	0.044	0.719	9.289	0.000*
	CC*MC	0.212	0.043	0.337	4.981	0.000*

Dependent variable: HM; $*p < 0.05$

5.0 Conclusion

The study has established the importance of accounting practices to hotel management and how management commitment can enhance these practices. This has implications for practice as managers seek ways of ensuring business survival in the current challenging economic environment. Ignoring the adoption of accounting practices can be fatal for a hotel business. Proper accounting practices are a necessity at this time of economic uncertainty. Management needs to show more commitment and adopt processes that enable the tracking of transactions for proper planning and control.

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