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THE DEVELOPMENT OF POSITIVE BUDGETARY THEORY WITHIN THE UK HOTEL INDUSTRY

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Abstract

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Previous applied empirical research is limited. This research builds a bridge between management accounting 'normative theory' and current practice, through the development of 'positive budgetary theory'. In order to achieve this a series of objectives were set, relating to: developing a statement of textbook 'normative' theory; identifying industry practice; analysing practice in relation to theory; critically reviewing the rationale for practice; and developing a model of 'positive' budgetary theory appropriate for UK hotel organizations.

The methodological stance was interpretive and corpus based. Individual corpus (body of knowledge) were developed related to 'normative' theory and hospitality industry practice. An interpretative approach was used to interrogate the corpus in order to ascertain 'positive' theory, concerning budgeting in the hospitality industry. The methodological approach adopted required a multi-method approach, which allowed triangulation of results. Methods used were content analysis, postal census survey, semi-structured interviews and a qualitative questionnaire.

The content analysis results identified aspects of budgeting that were 'normative', 'probably normative', 'probably not normative', and 'not normative' in textbooks. Of the sixteen aspects of budgeting reviewed ten were considered normative (at the primary coded level) but others such as zero base budgeting was probably not normative.

Findings from industry research established aspects of practice in line with 'normative' theory. Positive theory developed was informed by practice, normative theory and the rationale for industry practice. No general 'theory/practice' gap was identified for budgeting. For many aspects such as the need for participation in the budgeting process, or the marginal reporting of zero base budgeting, there was agreement. However flexible budgeting was viewed has having little use in the industry, whilst it was normative in textbooks. The results also identify aspects that need to be reconsidered by industry, particularly participation at lower levels in the organization and the financial training needs of non-financial managers.

Tracy Amanda JONES

October 2006

Doctor of Philosophy

Author's Declaration

I declare that the work in this thesis was carried out in accordance with the regulations of the University of Gloucestershire and is original except where indicated by specific reference in the text. No part of this thesis has been submitted as part of any other academic award. The thesis has not been presented to any other education institution in the United Kingdom or overseas.

Any views expressed in the thesis are those of the author and in no way represent those of the University.

Signed: _ _____ Date: 20/10/2006

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Section 1

Introduction

Chapter 1 Introduction

Introduction

This brief chapter serves two purposes, firstly it provides a context for the research project, and secondly it informs the reader as to the structure of the thesis.

Context

In Scapens' (2006), 'A personal journey' he reflects on how his management accounting research has changed and developed over time. In his reflection he recognizes that his 'personal journey' is not uncommon and often mirrors the general developments within British management accounting research. The context of this current research project relates to the authors own, 'personal journey' in hospitality applied management accounting research, which in itself provides an understanding of the development of this applied area of research within the UK.

The author first studied hospitality applied management accounting in 1980, when academic research in the discipline was far more limited than it is today. Taught by a now Professor of Hospitality Management, an interest in this specific aspect of the hospitality industry grew. Having received the Greene, Bellfield-Smith award in 1985, for achieving the highest marks nationally in finance as part of the Hotel and Catering International

Management Association (HCIMA) professional qualifications, an academic career in hospitality applied management accounting developed.

Having completed an undergraduate degree in hospitality management, including the accounting pathway, the author went on to become a researcher in hospitality management accounting. At the time, 1987, it was the first research studentship under the supervision of Peter Harris, a now professor of accounting and financial management applied to the hospitality industry.

In some respects, at the time, the authors research was 'ground breaking'. It was believed to be only the fourth Master of Philosophy (MPhil) applied to hospitality accounting and finance awarded in the UK, at a time when no doctorates (PhDs) were known to have been awarded in the subject area. The study considered the information needs of hospitality managers, specifically the application of a 'Critical Success Factors approach' (CSFs) to identifying management information needs (Jones 1991).

At the time, late 1980s, no hospitality applied research methodology texts existed, indeed even within generic management accounting research discussion of research methodology and methods was limited in nature. The research used a case study approach. Whilst much is written about this in methodological terms more recently (Ryan, Scapens and Theobald 2002), at the time it was a novel approach. It was only during the 1980s that generic management accounting researchers came to realize the value of research

within industry and the use of case study research became accepted (Ryan, Scapens and Theobald 2002, Choudhury 1986, 1987). Further case study research related to hospitality applied management accounting has taken place during the 1990s in the UK and the author's work has been used as a reference by subsequent researchers (Burgess 1995, Downie 1995, Harris and Brander-Brown 1998).

At the time of undertaking the MPhil research, CSFs were still a relatively new concept. The author's work was the first UK based study of the topic applied to hospitality and indeed amongst the first few studies in the UK in any industry. Fifteen years after completion, CSFs is now a widely used term in both management accounting and strategy-related research and textbooks. CSFs have continued to be researched in a hospitality applied context (Brotherton and Shaw 1996). Following MPhil completion, the author also published book chapters (Jones 1992, 1995, 1999) and presented a conference paper (Jones 1997a) in this subject area.

The development and growth in academic research applied to hospitality management accounting in the 1990s is evident through the publication of research related texts (Harris, Peter 1995, Harris and Mongiello 2006) and the review undertaken by Harris and Brander-Brown (1998).

The author's continuous involvement in teaching and researching hospitality applied management accounting in an academic environment since 1987 has a bearing on this current research. Indeed, the specific focus of budgeting

was developed from research work undertaken earlier, in 1996-1997. This PhD was started with an existing degree of expertise in the specific subject area of budgeting in hospitality, and also understanding of the hospitality applied management accounting field more widely. From a research perspective, holding a research degree (MPhil) and publishing demonstrates research expertise at the start of this study.

Thesis Structure and Format

The structure of this thesis has been designed to best meet the needs of the research project and the specific research data collected. So whilst the initial chapters cover 'standard' aspects you might expect in a thesis, the specific contents of these and subsequent chapters are often not 'standard'. This is due to the multi-method approach adopted to the study and (specifically) the demands of using a corpus approach and the use of a content analysis of specific literature.

The literature review, Chapter 2, covers the general development of literature in the subject area, but budgeting sections of management accounting textbooks are not specifically covered in this chapter. This is because such textbooks are more closely reviewed as part of a content analysis later within the thesis.

The literature review is followed by the methodology, Chapter 3. This chapter focuses purely on methodology and does not consider research

methods. A 'multi-method' approach has been used: research method issues are addressed in specific chapters at the beginning of each research section, as detailed later.

Consideration of the specific research problem is addressed in Chapter 4. This chapter has been developed from the initial PhD research proposal agreed through the University of Gloucestershire research committees.

The main body of research is broken down into three key sections, related to the objectives of the research project. Each of these three sections of the main body of research is further broken down into chapters. This ensures full discussion of the research method, results and analysis for each phase of the research, as illustrated in Table 1.

Following the main body of the research, the findings are used to generate a 'positive' model of budgeting practice in Chapter 13, with general conclusions being presented in Chapter 14.

Where a format has been specified within the University of Gloucestershire Research Degrees regulations, for example line-spacing, font size these have been followed. Where a specific regulation does not exist, for example format of table heading, advice has been followed from the Publications Manual of the American Psychological Association (APA), 5th edition 2001.

Table 1

Main Body Thesis Sections and Chapters

Section:	**Chapter:**
Section 5: Content Analysis	Chapter 5 Content Analysis: The Development of Normative Theory
	Chapter 6 Content Analysis: Data and Data Structure
	Chapter 7 Content Analysis: Data Analysis
Section 6: Hospitality Industry Budgetary Practices	Chapter 8 Hospitality Industry Budgetary Practices: Postal Survey Research Method
	Chapter 9 Hospitality Industry Budgetary Practices: Survey Results
	Chapter 10 Hospitality Industry Budgetary Practices: Survey Analysis
Section 7: Qualitative Hospitality Industry Research	Chapter 11 Qualitative Hospitality Industry Research: Research Method
	Chapter 12 Qualitative Hospitality Industry Research Results and Analysis

The APA manual is used as the 'style manual' by various publishers, for example Sage Publishing, and by academic journals in the social sciences. It is estimated the number of social science journals that now use the APA publications manual exceeds a thousand, making it the 'standard' widely recognized worldwide (American Psychological Association 2001, p.XXI) in academic social science publications.

Within the University of Gloucestershire Research Degree Regulations (University of Gloucestershire 2004) a candidate is '*free to publish material*

from the thesis in advance of its submission' (regulation 14.6, p. 11). During the time of PhD registration various 'outputs' associated with the research have been published, or presented at conference; these include Jones 1997b, 1998, 2003, 2004 and 2006. In addition a further output (Atkinson and Jones) is pending publication, expected to be 2007. These outputs are referenced in the appropriate sections of the thesis.

Chapter Summary

This chapter has provided the context for this specific study, including the author's previous subject and research expertise at the outset of this research investigation.

The thesis does not follow the 'standard' structure expected in such a thesis. Instead, a structure has been developed that best meets the needs of the research, making the content most readily available to the reader.

The format meets with the University of Gloucestershire regulations and any material related to the project, published ahead of PhD submission is fully referenced within the text.

Section 2

Literature Review

Chapter 2 Literature Review

Introduction

This literature review provides an overview of literature related to the core themes of relevance to this research project. Given the research area, the core themes to be covered include:

- Defining management accounting;
- The historical context of management accounting research;
- Budgeting as a management accounting tool;
- Hospitality applied budgeting research; and
- The 'beyond budgeting' debate.

The emphasis of the literature review is in reviewing previous published *research* in this area. Ryan, Scapens and Theobald (2002, p. 70) argue that, '*much of the material contained in current textbooks is derived from research that took place in the 1950s and 1960s*'. With this in mind, management accounting textbooks, including their sections concerning budgeting, are not considered primary documents within the literature review.

Textbooks do however have a role to play in such research, whilst some specific texts are referred to, a detailed review of 'textbooks' is not considered appropriate in the context of this literature review, but are consider in detail later within this research.

Defining Management Accounting

In accounting textbooks it is usual for management and financial accounting to be separated and defined. Ryan, Scapens and Theobald (2002) argue that whilst such divisions take place for teaching purposes this division is arbitrary, as there is a great deal of overlap between these two aspects of accounting.

Whilst the definition of management accounting has changed over the years (Ryan, Scapens and Theobald 2002), definitions tend to describe it as providing accounting information to aid decision-making. They go on state that, '*academic textbooks portray management accounting as a coherent set of techniques which can be used to provide information for managers to assist their decision making*' (Ryan, Scapens and Theobald 2002, p. 69). Over time, the definition and specific management accounting 'techniques' have developed.

The Historical Context of Management Accounting Research

In their classical work, 'Relevance Lost: the rise and fall of management accounting', Johnson and Kaplan (1987) provide a comprehensive historical context of management accounting, which is often referenced in other texts (Drury 1992, Ryan, Scapens and Theobald 2002).

Johnson and Kaplan (1987) provided evidence on the existence of accounting for thousands of years, dating back to ancient civilizations. However they believe that *management* accounting is more recent and can be traced back to the nineteenth century. They argue that until that time, '*virtually all exchange transactions occurred between an owner-entrepreneur and individuals who were not part of an organization*' (Johnson and Kaplan 1987, p. 6).

It is argued that the industrial revolution changed this, as workers were hired and mangers' ran aspects of an operation for the owners, owners wished to maintain control of their investment. Due to this, there was '*a new demand for accounting information*' (Johnson and Kaplan 1987, p. 7).

Johnson and Kaplan (1987, p. 7) state, '*thus management accounting developed to support the profit-seeking activities of entrepreneurs for whom multiprocess, hierarchical, managed enterprises were more efficient than conversion processes through continual transactions in the market-place*'.

Management accounting techniques developed throughout the nineteenth century and into the twentieth century. Kaplan and Johnson (1987, p. 12) argue that, '*by 1925 virtually all management practise used today had been developed: cost accounts for labour, material, and overheads; budgets for cash, income and capital; flexible budgets, sales forecasts, standard costs, variance analysis, transfer prices, and divisional performance measures*'.

They believe the increased emphasis of external financial statements in the twentieth century led to stagnation in management accounting developments.

Further, Kaplan and Johnson (1987, p. 175) believe that since the 1920s, most writings in management accounting thought, '*has been contributed by academics ... the academics have emphasized simple decision-making models in highly simplified firms – those producing one or only a few products, usually in a one-stage production process*'. They believe that by the 1980s firms had developed into complex multi-national, multi-product organizations, but management accounting 'academic' literature failed to recognize this shift.

Scapens (2006, p. 3) reflect that, '*at the time (1970s) the general feeling of academics, including myself, was that all the relevant theory had been developed and we just needed to communicate it to practitioners*'.

Johnson and Kaplan (1987) believed that by the 1980s, '*researchers in universities were busy developing highly sophisticated models for management accounting in simplified, stylised production settings – the research was neither motivated by actual organizational phenomena nor tested nor even testable on the data from contemporary organizations*' (Johnson and Kaplan 1987, p. 177). This is their key argument for believing that management accounting research had lost its relevance by the 1980s. Scapens (2006) believed that in the early 1980s in Britain there was awareness of a gap between theory and practice.

Certainly, the 1987 work by Johnson and Kaplan was much debated and the 1980s clearly became a turning point for management accounting research. Ryan, Scapens and Theobold (2002, p. 70) identified that, '*management accounting literature expanded rapidly during the 1960s, but by the late 1970s and early 1980s researchers were beginning to identify a gap between theory and practice*'. They argue that mainstream management accounting research, up until this point, had been 'normative' in nature, *'the normative nature of this approach comes across quite clearly in most textbooks – management accounting is presented as a collection of methods and techniques, which ought to be used in practice'* (Ryan, Scapens and Theobold 2002, p. 72). In such research the practicalities of implementing such techniques in practise were not given high priority and no consideration was given to the costs associated with using certain techniques. The change of emphasis during the 1980s by researchers led to, an emphasis on, '*explaining the reasons for observed management accounting practices*' (Ryan, Scapens and Theobold 2002, p. 74). They argue however this was not always undertaken by empirical research or testing. It is stated that this change of emphasis challenged, '*the belief that management accounting's conventional (normative) wisdom was not more widely used simply because of the time lag between theory and practice'* (Ryan, Scapens and Theobold 2002, p. 75).

In other words the 1980s saw a change of emphasis, *'and encouraged researchers to develop theories that encompassed existing practices, rather*

than criticizing practitioners for failing to implement the conventional wisdom – as such this represented a change of emphasis from normative to positive management accounting research' (Ryan, Scapens and Theobold 2002, p. 75).

Johnson and Kaplan (1987) were not the only academics to question the direction of management accounting research in the 1980s. In 1983 (p. 34) Scapens argued, '*that relevant theories can be developed only by researching management accounting practice – and such research requires the co-operation of practitioners*'. He felt there was a lack of research into management accounting *practice* in the UK and suggested management accounting research needed a change of emphasis, due to, *'the general view that management accounting practice is very different from the subject portrayed in most textbooks'* (Scapens 1983, p. 35).

Choudhury (1986) argued that the simultaneous development of theory and practice was needed. The conflict between industry and 'academic' researchers was also explored, and partly explained, by the difference between 'managerial culture' and 'academic researcher culture'. It is argued that research that is targeted at improving industry practices can be viewed as having, '*practical relevance*' (Choudhury 1986, p. 24). Choudhury summarizes this as,

> 'the concept of relevance contemplated in this paper is that management accounting research should posses two features: it must help practioners understand the organization and improve practice and it must contribute

to a theoretical body of knowledge of organizations that will continue to initiate beneficial (in terms of effectiveness) organizational changes in the future'

(Choudhury 1986, p. 24)

Choudhury (1986) believes that one of the reasons for the 'theory practice gap' in research is that some researchers view, 'practical relevance' as trivial or 'anti-intellectual'. Drysdale (1996) also identifies with the needs of academic management accounting researchers to further consider the needs of managers, identifying that, '*management accounting is an applied science*' (Drysdale 1996, p. 21).

Five years after publishing *Relevance Lost: the rise and fall of management accounting* (Johnson and Kaplan 1987), in 1992, Johnson published *Relevance Regained* where he identified the way forward for industry and management accounting research. In 1995, Ashton, Hopper and Scapens also believed that management accounting was turning a corner, '*contemporary research is highlighting the complexity of understanding accounting knowledge and practices and the rapid changes they are undergoing*' (Ashton, Hopper and Scapens 1995, p. 20).

Positive management accounting theory became grounded by empirical data. Ryan, Scapens and Theobold (2002) maintain this was the mainstream of management accounting research through the 1990s, particularly in the USA. However they also identify 'alternative traditions' of management accounting

research have developed over recent decades, such as behavioural accounting research and accounting research linked to organization and social theory. Early examples of this include research into the behavioural implications of budgeting (Ryan, Scapens and Theobold 2002).

Many of these approaches to management accounting research could be considered, 'practice-orientated' research. With the change away from 'normative' models to 'positive' research, focusing on empirical study, methodological approaches also changed. It was also recognized that, whilst surveys could identify practice more research was needed to understand the reasons behind industry practice.

In their review of British management accounting research Hopper, Otley and Scapens (2001) generally support this view of the development of accounting research, but suggest some difference between developments in the USA and in Britain. They identify management accounting research was dominated by economic research up until the 1970s; during the 1970 they identified a period of '*consolidation and growth*' (Hopper, Otley and Scapens 2001, p. 269); and the mid1970s to mid1980s saw the increase in behavioural and organizational accounting research. Whilst expressing the view that this change of focus happened in Britain before the USA they suggest, '*nevertheless, the initial concerns of Johnson and Kaplan about relevance, and the need to study major changes in cost and management accounting in enterprises, struck a cord with British researchers who had long held such concerns*' (Hopper, Otley and Scapens 2001, p. 278).

Luft and Shields (2003) identifed the growth of empirical research into management accounting in recent times has lead to, '*an increasing variety of theoretical perspectives and research methods to address an increasing range of substantive questions*' (Luft and Shields 2003, p. 170). Baxter and Chua (2003), Hopper, Otley and Scapens (2001) and Scapens (2006) also discuss the variety of management accounting research perspectives that have develop over recent decades.

Scapens (2006, p. 28) believes today, '*we have a much better understanding of the complexity of the processes which shape management accounting practices ... the challenge for the future is to use theoretically informed understanding to provide insights which are relevant and useful for practioners*'.

Some of these issues are further explored in the research methodology chapter of this research.

Budgeting as a Management Accounting Tool

In an historical context Johnson and Kaplan (1987, p. 11) report the senior management of the Du Pont Powder Company, formed in 1903, devised, '*a number of important operating and budgeting activities*'. They also report historians' views that flexible budgets, in all but name, existed from 1923.

Budgeting is described by Covaleski et al (2003, p. 3) as, '*one of the most extensively researched topics in management accounting*'. They argue the reason for this is that, '*virtually every aspect of management accounting is implicated in budgeting*' (Covaleski et al 2003, p. 3). They justify this by identifying budgeting's relationship to various management accounting topics, such as performance measurement, cost accounting, responsibility accounting and managers' remuneration. In addition they identify numerous functions and uses of the budget, which further support the view of budgets widespread importance in management accounting, namely in relation to; '*planning and coordinating an organization's activities, allocating resources, motivating employees, and expressing conformity with social norms*' (Covaleski et al 2003, p. 3-4). They argue that, '*most of the existing accounting research on budgeting is informed by economics, psychology and sociology*' (Covaleski et al 2003, p. 4). Whilst these three bases for budgeting research are seen as key, Baxter and Chua (2003) identify alternative management accounting approaches that also exist. Likewise, Luft and Shields (2003) map theory-consistent empirical research in management accounting, including mapping budgeting related articles in six leading managing accounting research journals.

The variety of research into budgeting also reflects the view that budgeting is the most commonly used management accounting tool in practice. Two surveys of management accounting within UK manufacturing show evidence of a 95% usage of budgeting, in some form, by companies (Puxty & Lyall 1989, Drury et al 1993). Hansen, Otley and Van der Stede (2003, p. 95)

identify that, '*budgeting is the cornerstone of the management control process in nearly all organizations*'. Ekholm and Wallin (2000) identified 89% of companies they surveyed used budgets.

Luft and Shields (2003) separate budgeting research within two of their maps of empirical research, one focusing on the causes and effects of budgeting on the individual and the other focusing on the causes and effects of budgeting at the organizational and subunit levels. For budgeting research focusing on the individual, they identify research related to, '*participative budgeting, task uncertainty and budget emphasis jointly influence performance and stress and that participative budgeting and budget-based compensation jointly influence satisfaction*' (Luft and Shields 2003, p. 177). This research generally falls into what Covaleski et al (2003) refer to as budgeting research with a psychological base. Colvaleski et al (2003, p. 28) argue such research is, '*focused almost exclusively on answering the question: What are the effects of budgeting practices on individuals' mental states, behaviour and performance?*'

Budgeting research related to the organization and sub-organization levels, Luft and Shields (2003) argue, contemplate many of the variables considered in research into the individual and budgeting, *but* these are considered in a different theoretical context, for example technology and organizational structure have an influence. Luft and Shields (2003, p. 177-178) propose that, '*organizational or subunit structural characteristics such as size, technology, decentralization, and environmental uncertainty determine the*

management accounting that is best fit for a particular organization'. Such research would fit within Covaleski et al's (2003) economic and sociological perspectives of budgeting research.

Covaleski et al (2003, p. 10) identifies that economic based budgeting research views, '*budgeting as a component of the organization's management accounting system'*. They believe this is research that considers the economic impact from both an owners and managers perspective and looks in detail at budgetary practices. They conclude, '*the primary research question underlying economics based budgeting research is: What is the economic value of budgeting practices for owners and employees?*' (Covaleski et al 2003, p. 11). They identify why an organization uses particularly budgeting practices (or indeed budgets at all) to being part of this economic view of budgeting.

In contrast, Covaleski et al (2003, p. 29) view sociological based budgeting research primarily answering the research question, '*how does budgeting influence decision making and bargaining processes among the plurality of interests pertaining to the planning and control of social and organizational resouces'*. They argue this is research considering budgets both '*within and across organization'* (Covaleski et al 2003, p. 29).

Luft and Shields (2003) and Covaleski et al (2003) agree there are very many themes to budgeting research and these have developed through the use of several theoretical perspectives. Covaleski et al (2003, p. 45) conclude,

'*more complete and valid explanations of how budgetary practices come to exist in organizations and how they affect organizational performance and individual welfare can usefully draw on research from all three theoretical perspectives*' (psychological , economic and sociological perspectives).

Covaleski et al (2003) suggest that budgeting related research questions, from research over the last few decades, are likely to continue to be issues for future research into budgeting. Examples of these questions are shown in Table 2.

Table 2

Research questions in budgeting from Covaleski et al (2003, p. 7)

➢ How do budgeting practices affect employee motivation and performance, as well as organizational performance?
➢ What role should budget targets play in evaluating and rewarding employees' performance?
➢ What are the costs and benefits of different levels of budget-target difficulty and different methods of setting these targets?
➢ How does budgeting help or hinder in planning and co-ordinating activities in complex organizations?
➢ What is the role in generating or resolving organizational conflict?
➢ How do answers to all these questions change with changes in non-budgeting variables such as environmental uncertainty, technology, and organizational strategy and structure?

Hospitality Applied Budgeting Research

In their review of hospitality applied accounting and financial management research and development, in 1998, Harris and Brander Brown identify one hundred and nine hospitality applied accounting and financial management

articles between 1972 and 1998. In 1999 Baloglu and Assante reviewed the subjects covered in five key hospitality journals (Florida International University Hospitality Review, Cornell Hotel and Restaurant Administration Quarterly, Journal of Hospitality Research, International Journal of Hospitality Management, and International Journal of Contemporary Hospitality Management). Baloglu and Assante (1999) identified eighty-four articles related to finance (including accounting) within these journals for the seven years between 1990 and 1996. Whilst this total might seem high, it actually represents fewer than 8% of articles in these publications. Thus making hospitality research applied to finance and accounting, the second least researched aspect of hospitality management identified by these journals.

Whilst there are several journal articles concerning research into Hospitality applied budgeting it is not a subject to have been extensively studied, particularly in a European context.

In 1978 Kruel published a paper (in the USA) concerning zero-based budgeting of hotel indirect expenses. This was a review based paper, in which Kruel explored this '*relative new method*' and explained how it might be used within hotels. He concluded, '*if ZBB does nothing else, it might stimulate thought about alternative methods and systems that might prove useful at a later time*' (Kruel 1978, p. 14).

The year after, 1979, Kosturakis and Eyster conducted a study of operational budgeting of 15 small hotels in the USA. They considered many aspects of

the operational budgeting process, including participation and use of specific techniques. Whilst it was a small-scale study, focusing specifically on small hotels it came to some interesting conclusions concerning operational budgeting in hotels. Firstly they concluded, '*the operating budget is an extremely important document in the management of small hotel companies*' (Kosturakis and Eyster 1979, p. 84). They recognized that, whilst budgets had a planning function, budgetary control was viewed as more important in the companies they surveyed. It was identified that where budget manuals were used this did not improve budget to actual results in the companies reviewed.

Kosturakis and Eyster (1979) used the results of their survey, along with knowledge of theory and budgeting in other industries, to make recommendations for budgeting in small hotels. Their key recommendations are shown in Table 3.

Table 3

Kosturakis and Eyster's recommendations

➢	Chief Executive Officers (CEOs) needed to be committed to the budgeting process.
➢	It is important that budgets are formal, with clear lines of responsibility.
➢	Significant participation is important in the process.
➢	Training could help participants fully understand the process.
➢	Rolling 12-month budgets should be used.
➢	Cost-Volume-Profit analysis (CVP) and 'other budgeting techniques' (i.e. flexible budgeting) should be used.
➢	Budgets should directly link to company objectives and strategy.
➢	A significant amount of time needs to be spent on the budget.

These recommendations are a personal view of how the industry should use budgets. They are based on the 'normative' models of research of that time, that is to say, they recommend, 'what ought to be'. For example CVP and flexible budgets were not widely used in companies surveyed as they were believed to be to complex and not cost effective, however Kosturakis and Eyster (1979) still recommend these should be used.

In 1985 Ashton gave a personal perspective, as a finance director, on management accounting in hotel and catering. One of the six aspects he covered was budgeting. The article focuses mainly on the accountant's role and provides little detailed insight into operational budgeting practices. The key issues identified are that the budgetary plan needs to be firmly linked to the overall business plan and that accountants need to keep managers informed of variances on an ongoing basis.

A second UK based article was published in 1985 by Pickup (1985). Within generic management accounting, research into behavioural aspects of budgeting became more prominent during the 1980s (Ryan, Scapens and Theobald 2002). This hotel industry applied research reflected this trend, focusing on the behavioural aspects of budgetary control. Pickup (1985) re-examined the existing theory around control in relation to the role of the financial controller in hotels. Eight hotel companies were used as case studies for his empirical research. This research was focused on the role of the financial controller in relation to an organizations control systems.

Pickup's research is significant in that it is the first UK hotel industry based empirical study to focus specifically on budgeting. However it has a narrow focus concerning the role of the financial controller, as 'policing' the control system and how that role impacts on the controllers interface with management.

The following year Ferguson and Berger (1986) also considered behavioural aspects of budgeting in the hotel industry, but within the USA. Their paper was a short review based paper in which they reviewed the existing literature concerning the human aspects of budgeting. The issues they reviewed were; participation, stringency of the budget, the use of budgets, feedback, and organizational structure. Whilst being published in the Cornell Hotel and Restaurant Administration Quarterly by hotel industry based academics, their article does not explore the behavioural aspects of budgeting with a specific hotel industry focus.

Schmidgall is a prolific writer and researcher in financial management and accounting applied to the hospitality industry. Since the mid 1980s he has undertaken several hospitality applied empirical research projects into aspects of hospitality budgeting, along with a variety of co-authors.

In 1986 Schmidgall and Ninemeier identified, in a hospitality context, *'no research has been published on whether budgets are developed chiefly at the unit level or the corporate level, who holds responsibility for reforecasting or remedying budget problems, or who is responsible for holding costs within*

a budget' (Schmidgall and Ninemeier 1986, p. 51). Their initial published research focused on budgeting practices in food-service chains within the USA. This was the first detailed hospitality applied survey concerning budgeting. Only the earlier work of Kosturakis and Eyster (1979) could be viewed as comparable, but that was a small survey (15 organizations) focused specifically on small hotel companies.

Schmidgall and Ninemeier (1986) surveyed the seventy largest food-service chains in the USA and their results are based on returns from thirty-one companies. Their detailed research covered approaches to budgeting, information used to develop budgets, the budgetary period, budgetary review and variance analysis. Their published work gave a detailed insight into industry practice in the USA based food-service sector. The work focused on identifying and discussing industry practice, it did not give a detailed account of relative theory, or the implications of such practice for the industry.

Schmidgall and Ninemeier's 1986 survey was very much a starting point for empirical research into hospitality applied budgeting. They concluded, *'this article represents a start, and the authors encourage further studies of food-service chains and of hotels and institutional food operations'* (Schmidgall and Ninemeier 1986, p. 55).

In 1987 Schmidgall and Ninemeier published further research findings from a second hospitality applied budgetary survey, but this time for USA based hotel chains. They reported this as the first ever survey of hotel chains

budgetary practices. As they used a similar questionnaire to that they had used with food-service chains previously, it covered similar aspects of budgeting. The results gave a useful insight into hotel chains budgetary practices, but again the authors viewed this as a first step, '*this study was an exploration of the hotel chains' budget process, but it was only a first step – further research should probe the chains' budget-development process to gain more information on how this significant proportion of the industry operates*' (Schmidgall and Ninemeier 1987, p. 84).

In 1989 Schmidgall and Ninemeier published a further paper, which drew comparisons between the two studies published in 1986 and 1987. The intension was to identify whether any significant differences existed to budgetary processes observed in these two sectors of the hospitality industry. Their conclusion was that whilst some differences did exist, in many respects there were significant similarities. Again they concluded more research was needed in this area, '*the authors' studies do not, of course, answer all the questions relative to budgeting practices of multi-unit hospitality firms*' (Schmidgall and Ninemeier 1989, p. 40). They go on to state, '*they [the findings] do however represent a start in the analysis of a process which is increasingly important to present and future management staff in the lodging and food service industry*' (Schmidgall and Ninemeier 1989, p. 40).

Kosturakis and Eyster (1979) was the only hospitality budgeting focused empirical investigation during the 1970s, the same can be said of the broader

investigations by Schmidgall and Ninemeier's (1986, 1987, 1989) during the 1980s. The empirical work of Kosturakis and Eyster, plus Schmidgall and Ninemeier, was focused in the USA. It is clear from the conclusions reached by these researchers that they viewed this early empirical work as, 'a starting point' for research into hospitality applied budgeting and further research was required to fully explore the subject.

During the 1980s the only other published work mentioning hospitality applied budgeting was that of Moutinho (1987) and Rusth and Lefever (1988). Rusth and Lefever (1988) were researching international profit planning and a brief mention of budgets was made in this context in the USA.

Whilst Moutinho's (1987) research focused on budgets in a UK hotel context, this was in relation to their role in hotel marketing strategies. The research was a review-based article, focusing on the marketing budget specifically.

During the early 1990s little hospitality industry applied research concerned budgeting. In 1991 Rusth published the results of a pilot study, conducted in the USA, concerning hotel budgeting in a multinational context. Based on one organization, the study focused on the complexity of the budgeting system in relation to environmental uncertainty. The article was brief and focused on one specific aspect of budgeting.

In Brignall et al's 1992 study of performance measurement and competitive strategies in service industries one of the example service industry case

studies used was a hotel chain. This study was broader in focus, not just the hospitality industry and considered various performance measures. In this context it was not a major research project related to hospitality budgeting, as a single hotel chain was covered and budgeting was briefly mentioned.

Collier and Gregory (1995a, 1995b) researched the management accounting practices of hotels in the UK. The empirical study was based on a case study of six hotel organizations. Whilst the broad focus of the study did not lend itself to detailed consideration of budgeting some useful information concerning operational budgets was included. The published results identified some aspects of industry budgetary practice, the rationale put forward to account for this practice was theorized and not supported by further industry evidence. For example the lack of the use of flexible budgeting was suggested to be due to the cost structures in the industry, but the research did not ask case study organizations why they did not make use of flexible budgeting. Whilst not being exhaustive, the work of Collier and Gregory (1995a, 1995b) represents the first empirical work to cover operational budgeting applied to the UK hospitality industry.

A decade after his initial research into hospitality applied budgeting, Schmidgall joined with new co-authors to further consider operational budgets in USA hotels, but this time the empirical work was extended to draw comparisons with the Scandinavian hotel industry. This work by Schmidgall, Borchgrevink and Zahl-Begnum (1996) recognizes the earlier empirical research by Kosturakis and Eyster (1979) and Schmidgall and Ninemeier

(1987), but identifies these investigations were USA based. The rational for the 1996 study was that the hotel industry had become more global over the past 20-30 years and therefore research beyond the USA would be useful.

Schmidgall, Borchgrevink and Zahl-Begnum (1996) generally based their hotel industry questionnaire around that previously used by Schimidgall during the 1980s. It does not draw direct comparisons to the previous USA results from the 1980s, but focuses on the comparisons between countries. It identifies a number of similarities between the two countries, but statistically there are a number of differences. For example, whilst they conclude the 'majority' of hotel chains in both samples use a bottom-up approach to budgeting, the statistics show 80% and 64% for USA and Scandinavia respectively. They recognize the limitations of the research, both in sample size and geographical coverage, do not allow generalizations to be formed from the research results. This article was a benchmark, in that it was the first empirical work reported that specifically focused on hotel operational budgets outside of the USA.

At a similar time to the publication of Schmidgall, Borchgrevink and Zahl-Begnum(1996) research findings, Jones (1997b, 1997c, 1997d, 1998) started investigating hotel budgeting practices within the UK hotel industry. Jones undertook empirical research, surveying UK based hotel organizations during 1996 and 1997. The results were based on responses from 43 hotel organizations based in the UK and presented at conferences during 1997 (Jones 1997a, 1997b) and summary results were published in 1998 (Jones).

The research by Jones was the first empirical investigation to focus specifically on budgeting in the UK hotel sector. It provided many interesting findings and comparisons were drawn to Schmidgall's previous work in the USA. However, the conclusion was reached that whilst Jones' research provided interesting findings concern contemporary industry practice more research was required, '*ongoing research in this area to establish why current practice is what it is, not simply what it is, will help draw theory and practice closer together to aid the development of good practice within the industry*' (Jones 1998, p. 99). This preliminary research and findings by Jones were the catalyst for this current research project into budgeting within the UK hotel industry. Work published concerning this current study by Jones includes Jones 2003, 2004 and 2006.

Other published research findings include the work of DeFranco (1997). This USA based study focused on forecasting and budgeting at the department level in hotels and was based on a survey of hotel based financial controllers. Many questions concerned short-term forecasting, with only six questions related to budgeting. Whilst it provides some interesting results it is narrow in focus, due to only considering budgets at a departmental level and a limited number of questions being asked concerning budgets.

The year after, 1998, DeFranco joined forces with Schmidgall to conduct further research into current practice in forecasting and budgeting within USA based hotels (Schmidgall and DeFranco 1998). These published results had

a very different focus from the previous published budgetary research by Schmidgall. The focus of this research was not so much concerned with the *process* of budgeting, but with the *purpose* of the budgets and forecasts in the operation. Budgetary control was identified as a key reason for budgeting and much of the paper's sections related to budgeting relate to how budgets are used in cost control and tolerances allowed for specific cost items. It does not however identify the process used in budgeting or specific budgetary techniques used.

Whilst further articles, since 1998, have considered budgeting, these have related to specific aspects of budgeting and sometimes as part of a broader project only. For example, Graham and Harris (1999) consider the development of a profit planning framework in an international hotel chain. As part of their study they consider the use of flexible budgets specifically.

In 2001 Brander Brown and Atkinson considered budgeting in the, 'information age'. Their article follows some of the generic management accounting research from the late 1990s, into the 2000s concerning alternative approaches to budgeting (better budgeting) and that of, 'beyond budgeting'. They review the concerns raised of traditional budgeting systems and whether traditional budgeting is suitable in the twenty-first century. Suggested areas for, 'better budgeting', include the use of activity based budgeting (ABB) and zero-based budgeting (ZBB). However, they also recognize that previous empirical work applied to the hospitality industry identifies 'traditional budgeting' is firmly imbedded in the hospitality industry.

The research of Brander Brown and Atkinson (2001) generally considers budgeting from the perspective of a performance measure and how budgeting can be developed alongside fresh approaches to management structures in the hospitality industry. The USA based empirical investigation considers an organization already implementing such management structure changes. They believe that such a re-think of traditional budgeting can lead to a more responsive, empowered and flexible approach, linked to new organizational structures.

This was the first article, applied to the hospitality industry, to consider new approaches to budgeting, or 'beyond budgeting'. Within generic literature, as shown in the section, 'the beyond budgeting debate', there is no agreement as to the way forward. There are those that believe 'traditional budgeting' is not dead and buried, those that believe we must continue to budget but do so more effectively, whilst others believe we need to move, 'beyond budgeting'.

Sharma's (2002) detailed paper concerning budgeting systems in hotels is very specific in nature, focusing on the relationship of the budget system characteristics in relation to the perceived environmental uncertainty. The paper acknowledges a lack of previous research into hospitality budgeting, but is not exhaustive in identifying previous applied research, due to the specific nature of the project. The researcher, based in Singapore, conducted empirical work within over one hundred Queensland based hotels.

The result showed that, where perceived environmental uncertainty was low or predictable, budgets were used more frequently than forecasts. However where there was perceived unpredictable environmental uncertainty forecasts were more likely to be used. This links to previous research findings that have investigated the role of forecasts, as opposed budgets. Traditional budgets are viewed as less flexible than more shorter-term forecasts. Part of the 'beyond budgeting' argument relates to the increasing environmental change and a budgets ability as a tool to respond to such external factors.

Another Australian based hotel budgeting research project focused on participation in the budgeting process (Subramaniam, McManus and Mia 2002). They considered the role of budgetary participation in decentralized hotel organizations and believe budgetary participation can improve managers' commitment to the organization. Whilst being detailed this research is narrow in focus, so does not identify whether participation needs to be a fully 'bottom-up' approach to budgeting, or whether such management commitment can be achieved through a lower level of participation in the budgetary process.

In the same year, Mia and Patiar (2002) studied the relationship between budgetary participation and effective superior-subordinate relationships in hotels in Australia. Their work focused on food & beverage managers and room managers in large hotels. They concluded that where there are good relationships between these managers and their superiors *and* there is

participation in the budgetary process performance was at its highest. However, they noted performance was not as high when one of these two factors (good relationships or budget participation) was missing. Hence their findings identified budget participation per se did not improve performance; it needs to be coupled with good superior-subordinate relations to increase a manager's performance.

The work by Yuen (2004, 2006) is based on survey work conducted in Macau. Initially his work considered goals and reward systems, in relation to managerial propensity to create budgetary slack, where he concluded that the approach to budgeting varied, due to the organizational context of the budget. His further research in Macau linked budgetary design with managers' job satisfaction. The work of Yuen is based around the behavioural aspects of budgeting and the relationship of individual managers engaging or interfacing with the budgetary system in their organization.

Hospitality applied budgeting research has continued for almost thirty years, since the initial research undertaken in 1978. Within this body of research, few authors have published findings of more than one research project related to hospitality budgeting. Over the decades Schmidgall is the most prolific researcher into hospitality applied budgeting. Only five other authors have been identified as having published more than one hospitality applied budgeting research project; Ninemeier (Schmidgall and Ninemeier 1986, 1987, 1989), Rusth (Rusth and Lefever 1988, Rusth 1991), DeFranco (DeFranco 1997, Schmidgall and DeFranco 1998), Jones (1998, 2004, 2006)

and Mia (Mia and Patiar 2002, Subramaniam, McManus and Mia 2002). Of these five authors, two have published joint research with Schmidgall (Ninemeier, DeFranco), whilst Rusth and Lefever only briefly mentioned budgeting as part of a wider study. Mia and Jones are therefore the only authors, other than those associated with the work of Schmidgall, to publish research of more than one empirical study into hospitality applied budgeting.

The USA has been the predominant focus in hospitality applied budgetary research. Of the empirical based studies identified in this literature review, that had some mention of aspects of budgeting, eight were based on USA empirical findings, three in Australia and six in Europe. Of those in Europe this included four in the UK, two of which (including this current study) are by Jones.

In terms of hospitality industry sectors hotels have dominated research into budgeting. This is not out of line with the research by Baloglu and Assante (1999) that showed, in general, the lodging sector dominated research into the hospitality industry. Of those papers that focus on a specific sector of the hospitality industry, only one is not applied to the hotel sector.

In their 1998 article, Harris and Brander Brown (p. 166) identified, '*contributions to the area of budgetary planning and control have been relatively diverse*'. If anything, the picture shows even greater diversity since that time.

The continued work by Schmidgall and co-authors remains around the core area of operational budgets, more recently compared to the role of forecasts. Other hospitality applied budgeting research since the late 1990s has covered specific aspects of budgeting such as; 'better budgeting' (Brander Brown and Atkinson 2001), risk in corporate governance (Collier and Berry 2002), environmental uncertainty (Sharma 2002), and budgetary participation (Subramaniam, McManus and Mia 2002, Mia and Patiar 2002).

As Schmidgall concluded on a number of occasions, the currently published research does not answer all the questions concerning budgeting in the hospitality industry. Empirical research, particularly that focused on the UK, is limited and often this reports what current practice is, without a detailed focus on the rationale for such practice. Potter and Schmidgall (1999) also identify that research in to hospitality management accounting also needs to consider other aspects of management to ensure such research, '*fits into the overall organizational design and culture of the property*' (Potter and Schmidgall 1999, p. 399)

The 'Beyond Budgeting' Debate

As stated previously, budgets are the most commonly used management accounting tool. However, since the mid 1990s some researchers have questioned the usefulness of the 'ritual' of the annual budgeting process (Hope and Fraser 1997, Hope and Fraser 2003b, Jensen 2001). In 1993 Wilson and Chaua suggested budgets were merely political and symbolic processes in organizations. So are budgets merely produced because

organizations feel it is expected of them, or are they adding value and fulfilling an important role?

Hope and Fraser (1997, 2003a) are among those who have suggested alternatives to the budget and that, '*Budgeting, as most corporations practice it, should be abolished*' (Hope and Fraser 2003a, p. 108). They are not the only writers who feel we now need to look 'Beyond Budgeting'.

At the heart of this movement is the Beyond Budgeting Round Table (BBRT), they warn that, '*budgets are a relic from an earlier* era' (CIMA-ICAEW 2004, p. 8). They, along with others, consider budgeting has many weaknesses, namely it is; too time consuming, too expensive, and out of touch with the needs of managers (CIMA-ICAEW 2004). Partly, the argument lies in the conflicting dual roles budgets can play in an organization. Budgets can be a fixed target and provide financial incentives for managers, when bonuses are linked to performance against budgets. It is argued this can lead to management behaviour that '*may be at odds with the needs of the organisation*' (CIMA-ICAEW 2004, p. 8).

O'Brien (1999) argues that whilst the 'beyond budgeting' supporters sight the dysfunctional behaviour caused by budgeting as a reason for abandoning it, '*it must be remembered that dysfunctional behaviour is not particular to budgeting but is an integral part of organizational life*' (O'Brien 1999, p. 22).

Those who support 'beyond budgeting' suggest a model where organizations move away from a model of a 'fixed performance contract' to a 'relative performance model' (Hope and Fraser 2003a). In such a model a manager's performance would not be related to achievements against a 'fixed budget' but against a relative model, where comparative performance against peers is considered more appropriate. Neely, Bourne and Adams (2003) argue however that very few firms have truly abandoned budgeting, many still have traditional budgeting processes, but with an addition of frequent reforecasting. The arguments for moving, 'beyond budgeting' are often linked to changes in organizational structure and the need to decentralized organizations would not fit well with traditional budgeting (Hope and Fraser 1999, Hansen, Otley and Van der Stede 2003).

Hansen, Otley and Van der Stede (2003) believe traditional budgeting has stemmed from the needs to have a control system that directly links management control to the needs of the shareholder, as a key stakeholder. They argue, '*the budget became the natural standard of comparison – this led to using the budget year as the fundamental building block of the control system*' (Hansen, Otley and Van der Stede 2003, p. 103). In addition to those that promote a move away from budgeting, there is a body of research related to, 'better budgeting' (Neely, Bourne and Adams 2003, Dugdale and Lyne 2004). This research suggests current budgetary practices can be improved with the use of new techniques, such as activity based budgeting (ABB), that better link financial with non-financial control mechanisms in an organization.

Hansen, Otley and Van der Stede (2003, p. 108-9) suggest, '*budgetary controls can be effective as part of a comprehensive management control system*', but they argue current literature does not fully answer what combination of management controls is most appropriate. They suggest that the two proposals for change ('beyond budgeting' and 'better budgeting') are based on some similar concerns, although these issues are tackled in different ways. Firstly there is concern with current budgetary practice in organizations, secondly environmental turbulence does not fit well with traditional 'fixed' annual budgeting; and thirdly that budgeting does not exist in isolation to other industry practices (Hansen, Otley and Van der Stede 2003).

Dugdale and Lyne (2004) provide evidence from both financial and non-financial managers that traditional budgeting still plays a major role in many organizations. This view is also supported by evidence from Ekholm and Wallin's (2000) study that suggests the overwhelming majority of managers in their study did not believe it was time to remove the annual budgeting process, *'the annual budget, complemented by other instruments still has an important role to play'* (Ekholm and Wallin's 2000, p. 535).

The joint Chartered Institute of Management Accountants (CIMA) and Institute of Chartered Accountants in England & Wales (ICAEW) event, along with their subsequent joint report, (CIMA-ICAEW 2004) debated the traditional role of budgeting in organizations. They concluded that, '*budgets*

are in fact alive and well' and '*traditional budgeting remains widespread'* (CIMA-ICAEW 2004, p. 2). Research by Dugdale and Lyne (2004) also concluded evidence does not idicate managers show dissatisfaction with budgeting, in fact they feel budgets have an important role to play.

Therefore, whilst some believe we need to move away from budgeting in organizations, this is not a universally held view. Those that support the continuation of budgeting, as a valuable management accounting tool, believe we should be focusing on 'better budgeting' (Prendergast 2000, Dugdale and Lyne 2004, CIMA-ICAEW 2004). The practice of budgeting can move forward and be enhanced but does not need to be replaced, as promoted by the 'beyond budgeting' lobby.

Ekholm and Wallin (2000) believe that, even in turbulent environmental situations, a degree of planning is still required, the 'beyond budgeting' forum would argue against this. Ekholm and Wallin (2000) believe the traditional budget can effectively be used alongside other techniques, such as rolling forecasts and balanced scorecards in turbulent markets. They (Ekholm and Wallin 2000, p. 537) conclude, '*the annual budget is not yet ready for the scrap heap*'. Indeed Dugdale and Lyne (2004) reported whilst traditional budgets were being used alongside other tools and non-financial performance indicators, '*most respondents felt that traditional budgeting and its link with incentive schemes was more, rather than less important*' over the previous five years (Dugdale and Lyne 2004, p. 23).

The argument that it is a financial manager's perspective that budgeting still remains valid was specifically addressed in Dugdale and Lyne's (2004) study that surveyed both financial and non-financial managers. They tested if there were differences in views between the two groups and interestingly reported non-financial managers placed *increased* importance on the budget compared to financial managers.

Chapter Summary

This chapter has provided an historical context of the development of management accounting literature and the place of budgeting literature within such literature.

Budgeting has a long history of use in industry, dating back to the industrial revolution and has been researched from a number of perspectives over many years. Academic literature concerning budgeting specifically applied to the hospitality industry has a more recent history, dating back to the 1970s. The hospitality applied literature of the 1980s and early 1990s reflected the move to positive models of research in generic management accounting literature during that period. The applied nature of hospitality budgeting research has led to a number of empirical research projects, often focusing on surveys of contemporary industry practice.

Budgeting research has not been exhaustive, both in generic and hospitality applied research literature, the need for further research is identified as

questions still remain to be addressed. In particular, the limited UK based empirical research applied to hospitality budgeting was identified.

During the late 1990s and into the twenty-first century some researchers questioned the traditional annual budgeting processes. Whilst some researchers suggested a move away from budgeting, 'beyond budgeting' others suggested budgeting techniques could be improved through, 'better budgeting'. Although these two movements had different solutions, many of the concerns of traditional budgeting are shared.

Despite this recent debate over budgeting, evidence suggests that 'traditional budgeting' is still very much alive in industry. Evidence also suggests budgeting will have continued importance into the future, with organizations reporting a commitment to continue the annual budgeting process.

Section 3

Research Methodology

Chapter 3 Research Methodology

Introduction

' *Research is a process of intellectual discovery, which has the potential to transform our knowledge and understanding of the world around us*' (Ryan, Scapens and Theobald 2002, p. 7). Management accounting research has developed over the years, and with such subject development so the research perspectives, underlying assumptions and research methodologies adopted by management accounting researchers have also developed (Ryan, Scapens and Theobald 2002, Burns and Scapens 2000, Covaleski et al 2003, Baxter and Chua 2003, Hopper, Ottley and Scapens 2001, Luft and Shields 2003, Scapens 2006).

This chapter explores the research perspectives and approaches adopted in 'mainstream' and 'alternative' management accounting research and draws on them to establish the research methodology for this specific study.

Management Accounting Research Perspectives and Approaches

Management accounting research is seen as a, 'social scientific' endeavour. This is justified because, '*appropriate standards of scientific enquiry are applied to social issues rather than natural phenomena*' (Ryan, Scapens and Theobald 2002, p. 9). As such research is 'social scientific' in nature, it can be viewed as being philosophically underpinned by the concept of 'dualities of thought', dating back to Greek philosophy. In essence this would lead us to believe things are either 'true' or 'false' and there is a 'subject-object'

relationship (Ryan, Scapens and Theobald 2002). This in itself leads to a debate about what is knowledge, truth, reality or validity? Ryans, Scapens and Theobald (2002, p. 9-10) argue that duality of thought worked well in developing logic and mathematical concepts in the western world, but have been less successful, '*in helping us to gain mastery of our social world where truth and falsity are much more ambiguous concepts and where relationships which are objectified often cease to be relationships'*. This leads to the question of how we gain knowledge.

Epistemology is at the core of philosophy (Klein 1998, 2005). Klein says it is virtually a unanimous view that knowledge can be considered as 'true belief'. Ryan, Scapens and Theobald (2002), define knowledge as 'justified true belief', which they argue, '*creates three substantive issues: the nature of belief, the basis of truth and the problem of justification'* (Ryan, Scapens and Theobald 2002, p. 11). Klein (1998, 2005) argues that we have to add to 'true belief' in order to gain knowledge, for example a lucky guess, or wishful thinking may create a true belief, but in itself this does not add to knowledge. 'Normative' epistemological answers would suggest, '*it is the quality of the reasons for our beliefs that converts true beliefs into knowledge*' (Klein 1998, 2005, paragraph 2).

Both Scapens (2006) and Ryan, Scapens and Theobald (2002) identify the use of 'positivism' within management accounting research. This they say is drawn from empiricism. The essence of the empirical school of thought is three fold; firstly, beliefs are based on perception (i.e. experiences),

secondly, knowledge comes from perception (using our senses), and thirdly, discourse is either true or false (Ryan, Scapens and Theobald 2002). Ryan, Scapens and Theobald (2002, p. 17) argue that positivism's significant feature is, '*that meaningful statements are only those which can, in principle at least, be verified by appeal to observation*'. They suggest developments in social sciences, but particularly within accounting research, have been greatly influenced by positivism.

Ryan, Scapens and Theobald (2002, p. 30) conclude, '*that a plurality of methodologies is possible and each can lead to fruitful research*'. They do however go on to express the view that, '*rationale debate and enquiry and the sensible use of evidence in the resolution of competing truth claims is most likely to lead to the advancement of knowledge*'.

In 1985 Hopper and Powell developed a, '*classification of previous accounting literature according to its principal theoretical and philosophical assumptions*' (Hopper and Powell 1985, p. 429). Their work drew heavily from Burrell and Morgan's work (1979), '*Sociological paradigms and organisational analysis*'. This provided the framework classification model that Hopper and Powell (1985) adapted for use with accounting research. More recently Ryan, Scapens and Theobald (2002) have used an adaptation of Hopper and Powell's classification model in their discussions of accounting research perspectives. Whilst they believe it to be a useful model they also recognize the risks in such 'oversimplification' of a complex issue. Indeed Hopper and Powell (1985) themselves point out it would be 'foolhardy' to

assume all social science research could be meaningfully classified in this way.

Burrell and Morgan's (1979) work identified organizational research clusters based on their theoretical and philosophical assumptions. Burrell and Morgan's model used two dimensions: the nature of social sciences, and the nature of society. They viewed the separate, but related elements of ontology, epistemology, human nature and how they informed research methodology.

They identified ontology, 'nature of reality,' as being on a continuum. At one pole, social structures are considered concrete, independent of (and prior to) cognition of the individual; at the other pole, reality is viewed as the product of the individual's consciousness and the social world merely provides a way to identify a shared view of the world (Burrell and Morgan 1979, Hopper and Powell 1985). Likewise, epistemology 'nature of knowledge' is a continuum between 'knowledge being acquired through observation and built up', and at the other end 'knowledge is subjective and personal in nature'. The third factor, human nature, is considered to range from, 'individuals' behaviour and experience is determined by their environment' at one end, to, 'individuals are free-willed and can create their own environment' at the other.

Hopper and Powell (1985) argue these three sets of assumptions have direct methodological implications. Where '*the social world is treated as the same as the physical or natural world, then methods from the natural sciences tend*

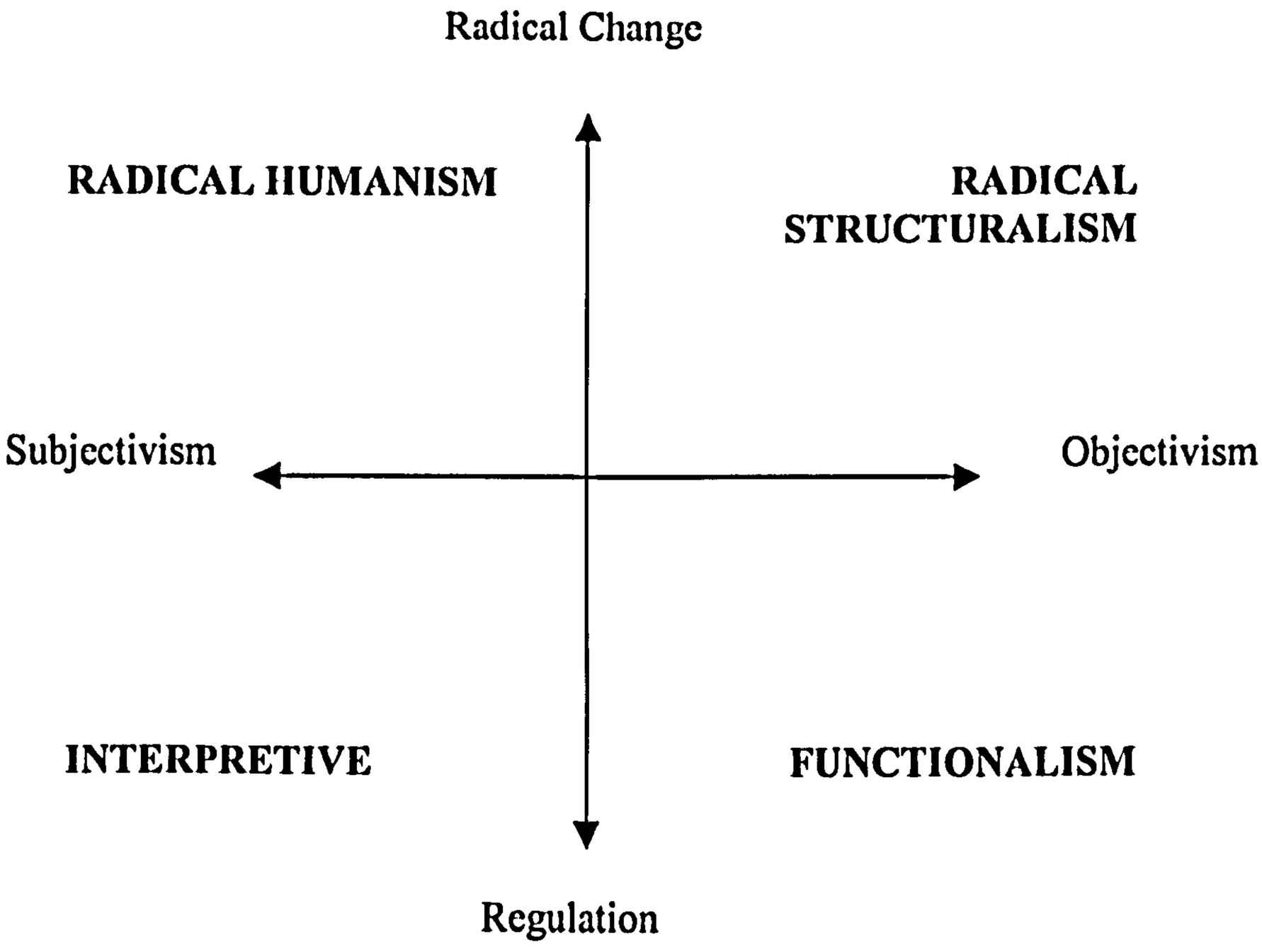
to be utilized to locate, explain and predict social irregularities and patterns' (Hopper and Powell 1985, p. 431). They go on to argue, '*if the subjective experiences of individuals and the creation of a social world is stressed, then methods that allow insight into an individual's inner world are emphasized'* (Hopper and Powell 1985, p. 431). Burrell and Morgan (1979) integrated the three elements (ontology, epistemology, and human nature) in to one aspect they then classified as a 'subjective-objective' continuum, this continuum has been used to characterize research approaches in the social sciences, and more specifically by Hopper and Powell (1985) and Ryan, Scapens and Theobald (2002) in relation to accounting research.

Burrell and Morgan's (1979) second dimension reflects approaches to society. At one extreme, 'regulation' society is viewed as having order and holding things together, whilst at the other, 'radical change' represents conflict and inequalities in society. Figure 1 illustrates Burrell and Morgan's (1979) two dimensions and the associated four research quartiles they established: radical humanism, radical structuralism, interpretative and functionalism. Hopper and Powell (1985) adapted this model to accounting research and argued that Burrell and Morgan's earlier work, '*created a dichotomy between objective and subjective approaches*' (Hopper and Powell 1985, p. 432), despite the original thinking that this was a continuum. Hopper and Powell (1985) consider this continuous and therefore split accounting research into three categories; functional (sub-divided into pluralism, social system theory, and objectivism), interpretative and radical. Ryan, Scapens, and Theobald (2002, p. 40) use Hopper and Powell's

taxonomy of accounting research, but with amended categories, that incorporate the later work by Chua (1986).

Figure 1

Burrell and Morgan's (1979) four paradigms for the analysis of social theory

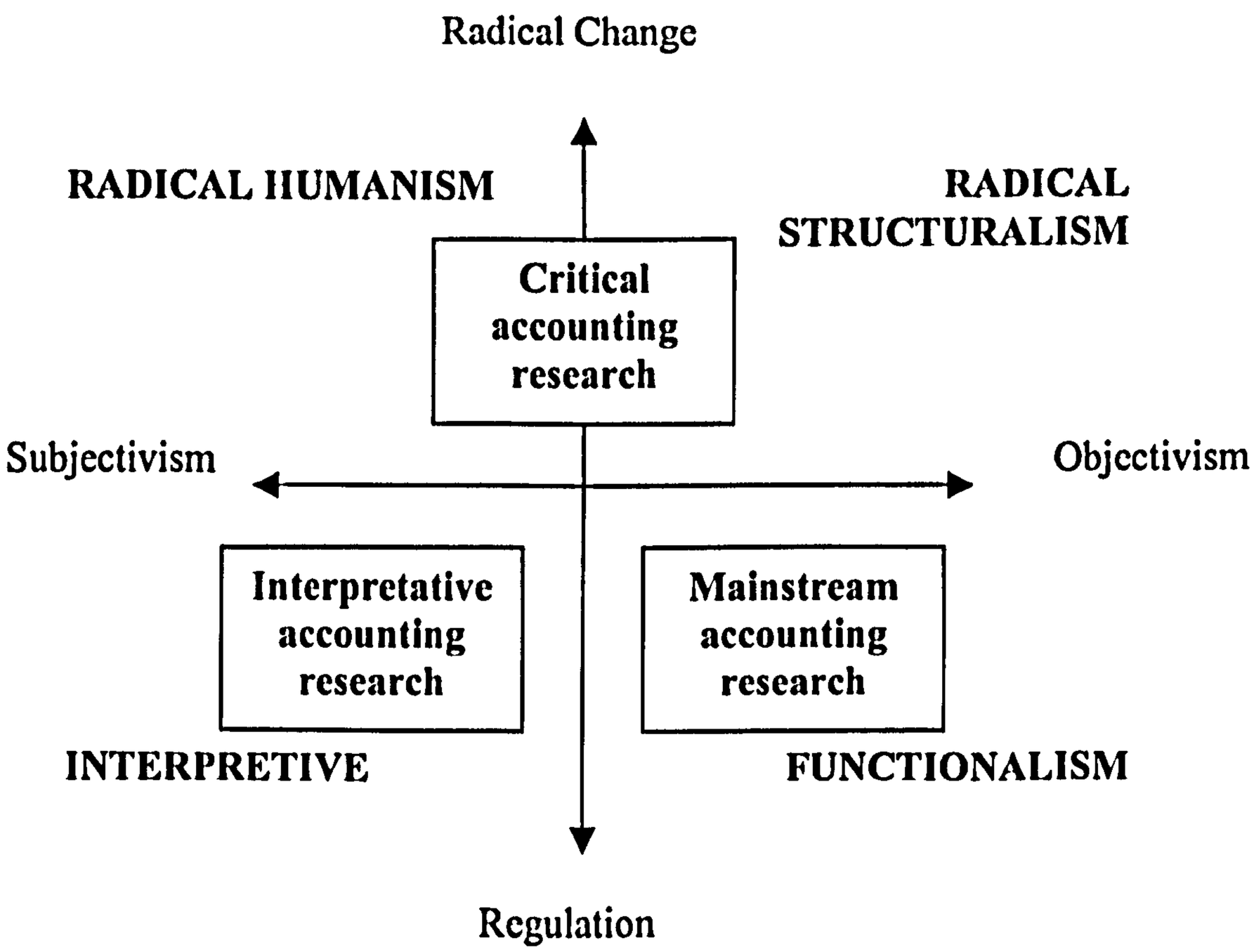


Based on Hopper and Powell's (1985) and Chua's (1986) earlier work concerning accounting schools and sociological paradigms, Ryan, Scapens and Theobald (2002) categorized accounting research into three distinct groups; mainstream accounting research, interpretive accounting research, and critical accounting research, as illustrated in Figure 2. These headings relate to the three groups identified by Chua (1986), but are placed on the earlier framework diagram identified by Hopper and Powell in 1985 (based on the work of Burrell and Morgan 1979).

Like Hopper and Powell (1985), Ryan, Scapens and Theobald (2002) identify weaknesses in Burrell and Morgan's (1979) 'subjective-objective' dimension where '*the distinction between subjective and objective becomes problematic, as there are both subjective and objective elements within the duality of structure*' (Ryan, Scapens and Theobald 2002, p. 44).

Figure 2

Ryan, Scapens and Theobald's (2002) taxonomy of accounting research



In categorizing accounting research into these three areas, Ryan, Scapens, and Theobald (2002) defined the key characteristics of accounting research within each category, drawing on the work by Chua (1986). Table 4

illustrates the views as to the key characteristics of each accounting research category.

Table 4

Key characteristics of accounting research by category

Category:	Mainstream Research	Interpretive Research	Critical Research
Hopper & Powell's (1985) category	Functionalism, including Pluralism, social systems theory and objectivism.	Interpretive.	Radical, ranging from radical humanism to radical structuralism.
Beliefs about Knowledge (Epistemology)	Theory and observation are independent of each other, and quantitative methods of data collection are favoured to provide a basis for generalization.	Theory is used to provide explanations of human intentions. Its adequacy is assessed via logical consistency, subjective interpretation, and agreement with the actors' common-sense interpretations.	Criteria for judging theories are always temporal and context bound. Social objects can only be understood through a study of their historical development and change within the totality of relations.
Beliefs about physical and social reality (Ontology)	Empirical reality is objective and external to the subject (and the researcher). Human actors are essentially passive objects, who rationally pursue their assumed goals. Society and organizations are basically stable, and dysfunctional behaviour can be managed through the design of control systems.	Reality is socially created and objectified through human interaction. Human action is intentional and has meaning grounded in the social and historical context. Social order is assumed and conflict mediated through shared meaning.	Empirical reality is characterized by objective, real relations, but is transformed and reproduced through subjective interpretation. Human intention and rationality are accepted, but have to be critically analysed because human potential is alienated through false consciousness and ideology. Fundamental conflict is endemic in society because of social injustice.
Relationship between accounting theory and practice	Accounting is concerned with means, not ends – it is value neutral, and existing institutional structures are taken for granted.	Accounting theory seeks to explain action and to understand how social order is produced and reproduced.	Theory has a critical imperative; in particular the identification and removal of domination and ideological practices.

(Adapted from Ryan, Scapens and Theobald 2002, p. 41-43)

'Mainstream' accounting research is primarily concerned with the function of accounting and is associated with a positivist research methodology (Ryan,

Scapens and Theobald 2002). Interpretative research is concerned with understanding the 'social world' and aims to help understand accounting practices. Critical accounting research uses 'critical theory', '*in a management accounting context, this could involve explaining why accounting practices are so closely tied to the search for economic efficiency and why control is perceived as a technical activity rather than a social process*' (Ryan, Scapens and Theobald 2002, p. 87).

Chua (1986) had earlier noted problems with the Burrell and Morgan framework and how it had been utilized in accounting based research. Chua (1986, p. 603) argues that '*transplanting an unmodified framework from sociology* [into accounting] *implies some equivalences between the two disciplines*'. Chua therefore did not adopt the Burrell and Morgan framework when considering accounting research, but instead considered underlying assumptions of knowledge, empirical phenomena, and the relationship between theory and practice. The later work of Ryan, Scapens and Theobald (2002) has however combined these approaches, by placing Chua's categories into an adapted Hopper and Powell model, which is based on Burrell and Morgan's original framework.

Chua (1986) questions the Burrell and Morgan framework, as it was originally designed for the context of sociology, not accounting. Other accounting researchers have used it in the context of accounting and it has also been applied to management based research (Johnson and Duberley 2000).

An accounting specific model is Laughlin's (1995) three-dimensional model. It is a complex model that provides dimensions for choice by considering the three aspects of; methodological choice, theory choice, and level of change. Each aspect is considered as having a 'high', 'medium' or 'low' influence in individual research. Laughlin's model recognizes the earlier work of Burrell and Morgan. Ryan, Scapens and Theobald (2002) highlight its advantages over the Hopper and Powell model, although they 'simplify' Laughlin's model to two dimensions for ease of understanding. Laughlin (1995) argues for 'middle-range' thinking, i.e. research that places methodological choice, theory choice and change at the 'medium' level in his model. He does however recognize this is not the stance of all accounting researchers, but that all researchers should have, '*a perspective on theory, methodology and change, which is contestable and needs to be defended*' (Laughlin 1995, p. 85).

Whilst there are many merits of these frameworks, as already stated, they do have limitation by trying to map, or 'pigeonhole' all accounting research. Time is also a factor and, as established in Chapter 2, the emphasis of management accounting research has changed over time. This change over time is clearly identified in Scapens' (2006) 'personal journey'. Whilst he does reflect this is a personal viewpoint, he feels the changes in his own research over the last thirty-five years reflect patterns generally within UK management accounting research. Table 5 summarizes Scapen's view of

changes since the 1970s to methodological approach, underlying theory and what this means practically.

Table 5

Scapens personal journey (Scapens 2006, p. 9)

	Methodology	**Theory**	**Practical dimensions**
1970s	Modelling	Economic	What managers *should* do
1980s	Positivism	Contingency	What *do* managers do?
1990s	Interpretivism	Structuration	Making sense of practice
2000s	Pluralism/Pragmatism	Institutional	Helping practioners

Scapens (2006) states that these changes in research focus over time lead to changes in methodological approaches. The research Scapens (2006) refers to undertaking in the 1970s is what others have called 'normative', or research that determines 'what ought to be'. He believes a general feeling of academic researchers in the 1970s was that all the management accounting theory needed had been developed, and it was now a matter of communicating that theory to practitioners. Hopper, Otley and Scapens (2001) recognize that changes in British management accounting research from the 1970s – 1985 led to, '*a major methodological debate within British management accounting research*' (Hopper, Otley and Scapens 2001, p. 272). They argue some researchers called for a more holistic approach to management accounting research, which some researchers argue had become 'obsessively mathematical'.

In the 1980s, Scapens (2006) believes researchers started to consider the 'gap' between theory and practice and (particularly in the UK) researchers

began to acknowledge a need to describe practice. This led to changes from a normative approach to a positivist methodological approach to management accounting research (Scapens 2006). Such research described practice which was often diverse in nature, but Scapens (2006) acknowledges such research had difficulty in explaining why diverse practices often existed. Laughlin (1995, p. 64) also reports that empirical studies of the 1980s led to '*various theoretical and methodological approaches*'. Hopper, Otley and Scapens (2001) identify a move towards more qualitative research during this period, in addition to greater use of sociological approaches in British management accounting research, '*British research began to branch out in very different directions to encompass new research methodologies*' (Hopper, Otley and Scapens 2001, p. 275). They argue British management accounting research became interdisciplinary.

During the 1980s there was a demand to change research methodology applied to management accounting research (Hopper, Otley and Scapens 2001), to move away from the use of 'economic modelling' and contingency theory. Hopper, Otley and Scapens (2001, p. 275) argue the need for researchers, '*to discover why managers use the particular forms of accounting which they do*' which demands new methodological approaches. Choudhury (1987) focused on the changing nature of methodological approaches needed to address the changing nature of management accounting research. Choudhury argues that research up until this time had given high regard to 'precision', *'in the study of situations that intuition suggests are subject to ambiguity and disarray'* (Choudhury 1987, p. 217).

By the late 1980s and during the 1990s Scapens (2006) witnessed a variety of different methodological approaches were being used in management accounting research. From a theoretical perspective, Scapens (2006) saw a shift from economics-based research to research that used organizational and social theory as its base. This he believes is what led to '*interpretive work and critical perspectives being used alongside more conventional accounting research*' (Scapens 2006, p. 6). For his own research, he saw this as a change from *describing* industry practice, to research that tried to *understand* industry practice. As part of this 'understanding' of accounting practice, management accounting was reviewed in relation to understanding how practice changed over time, and the organizational and social context in which management accounting systems exist. Hopper, Otley and Scapens (2001, p. 276) note that, '*it appeared apparent that accounting had to be studied in its broader social, political and institutional context*'. However they also recognize that economics based, 'mainstream' management accounting research still took place during this period.

Scapens (2006, p. 8) suggests, '*as we enter the twenty-first century, management accounting researchers are adopting a broad range of methodological and theoretical perspectives – the methodological diversity includes interpretive and critical research, alongside more traditional functionalist and positivist research*'. He suggests this broad base of management accounting research has provided 'deeper insights' into practice. For his own research, Scapens sees the change from the 1990s

into the twenty-first century as being a change in the meaning of 'understanding' of management accounting practice. This perspective is further developed by Burns and Scapens (2000). Scapens' more recent research focuses not on understanding practice per se, but on understanding management accounting practice change over time, in an organizational context. He believes there is a need, '*to adopt a more pragmatic stance to try to make theoretically informed management accounting research more relevant to management accounting practioners*' (Scapens 2006, p. 9). Scapens (2006) believes that management accounting practice is more about 'evolution', not 'revolution', and this needs to be reflected in the research approach.

Whilst, as already discussed, many researchers recognize that accounting research has diversified in nature since the 1980s, it remains true that 'mainstream' management accounting research is positivistic in nature (Baxter and Chua 2003). Given this, 'non-positivistic' accounting research is sometimes referred to as 'alternative' accounting research.

Given the developments in management accounting research during the 1980s and 1990s and the methodological debates arising from this change, Hopper, Otley and Scapens (2001, p. 283) argue, '*methodological boundary lines have become more clearly demarcated and the strengths and limitations of alternative approaches better understood*'.

Combined approaches may provide us with better understanding of management accounting (Ryan, Scapens and Theobald 2002). In their discussion of the development of management accounting research Ryan, Scapens and Theobald (2002, p. 93) conclude, '*if significant progress is to be made, there needs to be a recognition that a range of research approaches are valid, and that together they can provide richer insights into the subject*'. Hopper, Otley and Scapens (2001, p. 283) believe researchers will increasingly '*be more willing to triangulate different theories and research methods*'. They take the view that, if it works, then researchers should use it, '*rather than* [insist] *upon theoretical and methodological consistency and purity*' (Hopper, Otley and Scapens 2001, p. 283).

Research Perspectives and Approaches Adopted

Preston (1995, p. 287) identifies that '*budgeting is typically presented as a passive technique which mirrors but does not create a purely objective reality*'. He questions whether budgets can ever actually be considered neutral and objective, as such a view, '*neglects to consider that budgets are symbolic representations of the reality they express*' (Preston 1995, p. 287). This view of 'reality' has ontological implications for the study of budgeting.

Ashton, Hopper and Scapens (1995) discuss Preston's views that 'conventional wisdom' concerning budgeting is that it is, '*a rational model of organizational reality*' (Ashton, Hopper and Scapens 1995, p. 16). They argue that this 'rational model' assumes, '*that everything, including*

environments, organizations, organizational process and individual behaviour, belong to a presumed natural order, characterized as an objective, knowable system of variables and rules governing their relationship' (Ashton, Hopper and Scapens 1995, p. 16). Preston's (1995) opinion is that this view of budgeting ignores the role of humans in the process of budgeting within organizations. An alternative view is that budgets exist within a social and organizational context and therefore research into budgeting needs to recognize this complexity and state of 'reality' within the methodological approach taken.

Luft and Shields' (2003) mapping of management accounting empirical research clearly identifies research concerned with budgeting that has focused on the causes and effects of budgeting on individuals and organizations. They argue that many budgeting variable are considered in research but, *'in a different theoretical context'* (Luft and Shields' 2003, p. 177), for example studies focusing on the 'individual' develop from a human relations school, whilst others in the context of organizational theory. Given the discussions as to the variety of research approaches used in management accounting research, such diversity in theoretical perspectives related to budgeting is not unexpected. However, this is not the case for all subjects identified by Luft and Shields (2003). For example 'contingency theory' was prominent in research into information for planning and control. They shows that whilst a variety of methodological approaches have been identified within management accounting, this variety is particularly evident within empirical research into budgeting (Luft and Shields 2003).

In developing a methodological approach for this study, it is evident that many methodological perspectives are broadly accepted within management accounting research. Secondly, more recent wisdom identifies not only are a variety of approaches widely accepted, but that combining approaches can lead to a better understanding. Such triangulation and the 'if it works use it' attitude to management accounting research is advocated by Hopper, Otley and Scapens (2001). Even in 1987 Choudhury recognized that, '*theory construction and development involves traversing uncharted territory*' (Choudhury 1987, p. 217).

Scapens (2006) 'practical dimensions' of management accounting research imply research can only fulfil one 'practical dimension' at a time, either you are researching 'what managers' do', or 'making sense of practice', but not at the same time. Given the arguments made by Hopper, Otley and Scapens (2001) and Ryan, Scapens and Theobald (2002) concerning how research into management accounting can be enriched by 'triangulation' or 'the combined use of approaches' this would imply that the researcher could indeed fulfil several of Scapens (2006), 'practical dimensions' within a single research project.

Research into identifying, 'what managers *should* do?' is generally considered normative in approach and research into, 'what do managers do?' is considered generally positivistic, but this particular research project seeks to explore *both* of these 'practical dimensions'. In addition, this study seeks

to 'make sense of practice' and in doing so 'help practioners', which are Scapens' (2006) other two 'practical dimensions' of research. So whilst individual elements of the research could be argued to be normative or positivistic in nature, the overriding methodological approach is better described as 'interpretive'.

Epistemologically interpretative research is described as using theory to explain intention with its adequacy '*assessed via logical consistency, subjective interpretation and agreement'* with common sense interpretations (Ryan, Scapens and Theobald 2002, p. 42). Chua (1986, p. 614) also adds, *'there is no neutral, objective world of facts which acts as a final arbitrator, the adequacy of a theory (or explanation of intention) is assessed via the extent to which the actors agree with the explanation of their intentions*'. This research seeks to use theory in order to consider and interpret industry practices, with the 'actors' involved in explaining their actions/intentions. As Chua (1986, p. 615) describes it, '*meanings are themselves built on other meanings and social practices*', thus new theory can be developed from considering prior theory and its 'meanings' to the 'actors' involved in industry.

Interpretative research is described as having an ontological stance that, '*reality is socially created and objectified through human interaction'* (Ryan, Scapens and Theobald 2002, p. 42). Chua (1986, p. 613) explains that, '*because actions are intrinsically endowed with subjective meanings by the actor and always intentional, actions cannot be understood without reference to their meanings*'. This relates well to what Scapens (2006) refers to as,

'making sense of practice', as his practical dimension of interpretative research. Chua (1986, p. 614) describes this as a continuous process of interactions that leads to a situation where, '*meanings and norms become objectively (intersubjectively) real*'.

The relationship between theory and practice in interpretative accounting research is described as when, '*accounting theory seeks to explain action and to understand how social order is produced and reproduced*' (Ryan, Scapens and Theobald 2002, p. 42). Chua explains that interpretative research does not aim to 'control' empirical phenomena, but that its purpose, '*is to enrich people's understanding of the meanings of their actions*' (Chua 1986, p. 615). Chua specifically uses the example of interpretative budgetary control research to illustrate the use of interpretative management accounting research.

Whilst the overarching methodological approach is interpretative, it also draws heavily on the notion of a 'corpus', or body of knowledge. This research seeks to address all of Scapens' (2006), 'practical dimensions' of research, to provide triangulation, an approach that is supported by Hopper, Otley and Scapens (2001). In doing so it will build a 'body of knowledge' concerning the subject of budgeting. This 'body of knowledge' will encompass knowledge reflecting the four key practical dimensions, as illustrated in Table 6.

Table 6

Practical dimensions of budgeting knowledge

Practical Dimension	**Approach**	**Body of Knowledge**
What managers *should* do	Normative	Budgeting, 'textbook' theory
What *do* managers do?	Positive	Empirical investigation identifying current budgeting practice
Making sense of practice	Positive / Interpretative	Empirical investigation and interpretation, identifying reasons for current industry budgeting practice
Helping practitioners	Interpretative	Budgeting theory development, informed by understanding practice

Bauer and Aarts (2000) provide many definitions of a 'corpus', but summarize that whilst older meanings refer to the 'complete works' on a subject that more modern definitions refer to a 'purposive nature of selection' in developing a corpus of knowledge. Whilst corpus construction has a long history of usage in linguistic and historical research (Bauer and Aarts 2000), it has a relatively short history of usage more widely in social science based research. Bauer and Aarts (2000) show that with the increasing focus on qualitative social science research (and this has specifically been identified as true in accounting based research) that a corpus based approach allows systematic treatment to be given to qualitative data.

Corpuses are generally separated into two types, 'general-purpose' corpus and 'topical' corpus (Bauer and Aarts 2000). A general-purpose corpus is broad in nature and can be used to answer many research questions.

Examples would include the ten-year census, or full linguistic collections, such as dictionaries of word origins. Topical corpus are however much narrower in focus and are designed for a specific research purpose (Bauer and Aarts 2000). A corpus does not aim to be 'representative' in the sampling sense, but aims to include sufficient examples to show the variety within the subject under investigation, '*the corpus is designed to maximise internal variety*' (Bauer and Aarts 2000, p. 31). They go on to recognize that, '*qualitative researchers' main interest is in typifying the varieties of representations of people in their life world*' (Bauer and Aarts 2000, p. 32). This fits well with the notion of corpus. A corpus does not aim to be all-inclusive - for example considering every text that exists on a subject - but aims at 'saturation' of the variety shown within the corpus (Bauer and Aarts 2000).

In the context of this research, a body of knowledge (corpus) is being developed for each of the 'practical dimensions' under consideration. To illustrate this, the dimension, 'what managers *should* do', is referred to as normative in nature, as it relates to 'textbook' theory. A corpus concerning this therefore has to identify sufficient examples of budgeting 'textbook theory' in order to be able to understand the *variety* that exists between such textbooks. As such, a corpus approach is being used to develop a 'body of knowledge', to be used alongside an interpretative methodological approach to identify 'meaning' from the corpus.

Bauer and Aarts (2000) suggest a corpus must be as homogenous as possible: for example, textual data should not be mixed with images, or texts with interview data. Thus in order to consider the four 'practical dimensions' of the research, whilst ensuring the homogenous nature of the corpus is optimized, they are considered as four separate bodies of knowledge (corpus). This is consistent with the recommendations made by Bauer and Aarts (2000).

Chapter Summary

This chapter has explored the variety and development of methodological approaches adopted in accounting and financial based research, and more specifically management accounting research.

Current thinking is that diversity in methodological approaches in management accounting research is acceptable, and indeed desirable, as it adds to the richness of research in this area. Some key researchers in the field believe 'interdisciplinary' and 'triangulated' research is to be encouraged and that researchers should pay more attention to 'what works' than ensuring their research can be easily 'pigeon-holed' in relation to its methodological approach.

In drawing on a number of Scapens' (2006) 'practical dimensions', this research project stretches across some methodological boundaries, but is broadly interpretative in approach. A corpus based methodological approach

is also adopted to data collection in order to create a 'body of knowledge' concerning the subject of budgeting.

It is believed such an approach best meets the needs of this research project, as it allows 'variety' of opinions to be collected within the corpus approach. In addition, the interpretative methodological approach provides an appropriate stance on epistemology, ontology and the relationship between theory and practice for the study.

Section 4

Research Problem

Chapter 4 Research Problem

Introduction

The specific research questions addressed by this research are informed by the initial literature review and methodological stance. As the initial research proposal was informed by previous research experience and knowledge of the subject area, to a great extent this has remained unchanged throughout the period of study. The research questions, title, aim and objectives remain true to those originally approved, through the internal 'RD1' research registration process.

One aspect that has developed with the study is the notion of 'corpus'. Whilst a 'multi-method' of data collection was planned from the outset of the project, the notion that this 'research evidence' in itself was a 'body of knowledge', or 'corpus' developed over time with the study.

Research Questions

In considering the generic and hospitality applied literature related to budgeting a number of research questions were formed at the outset of the study. These were:

- Is budgetary 'normative' (textbook) theory of practical use within the hotel industry?
- What is the budgetary practice in the hotel industry?

- Is there a need to develop new 'positive' theory in relation to budgeting in hotel organizations? If so, what should this be?

Rationale

As discussed within the literature review, Chapter 2, management accounting developed rapidly during the nineteenth and early twentieth centuries to meet the changing needs for accounting information within the management hierarchy of organizations (Johnson & Kaplan 1987). They believe that, '*by 1925 virtually all management accounting practices used today had been developed*' (Johnson & Kaplan 1987, p. 12). Management accounting theory originally developed to meet the needs of the manufacturing industry during industrialization. Theory continued to be developed after 1925, but it moved away from being developed by industry to meet industry needs into being developed in an academic environment. Whilst organizations grew increasingly complex due to multiple products, globalization and the development of service industries, management accounting theory developed within a model of a single product enterprise. The complexities of organizations made such theories difficult to implement and the theory itself became questioned (Johnson & Kaplan 1987).

Substantial management accounting literature during the 1980s and 1990s debated the gap between management accounting theory and practice (see for discussion Scapens 1983, Drury & Dugdale 1992, Dugdale 1994, Ashton, Hopper & Scapens 1995, Drysdale 1996). As Drury & Dugdale (1992, p. 327) emphasize, '*The perceived gap between management accounting*

theory, as portrayed in textbooks, and management accounting practice, however, appears to be based on anecdotal evidence...'. Although not *all* evidence is anecdotal (Drury, et al 1993), additional evidence that such a gap exists, the nature of the gap, and its implications are important in advancing theory.

An issue in the theory/practice debate is whether the theory, or the practice, is 'right'. Scapens (1983, p. 35) states, '[Such exercises] *imply that management accounting practice is, in some sense, 'wrong' and that the textbook provides the 'right' answers*'. Ashton et al (1995, p. 8) state, *'Current research is now more directed to understanding practice, whereas previous research was more concerned with prescribing managerial behaviour and developing normative models'*. This view is supported by Drury and Dugdale (1992, p. 334) who state, *'...there should be a change of emphasis from normative theory (what ought to be) to positive theory (what is)'*. This view implies practice can become theory, as opposed to theory becoming practice. They go on to state, *'Theory should represent the desired state and practice should represent the current state'* (Drury & Dugdale 1992, p. 334-345). In this regard, practice has a role in *informing* theory development.

The inter-relationship between management accounting theory and practice, as portrayed in the literature, is of a complex nature. The development of 'positive theory', through closer researcher and practitioner links within empirical research seems key in reducing the perceived gap between theory

and practice within this field. Drury & Dugdale (1992, p. 345) conclude, *'there is a need for researchers to investigate the nature of existing management accounting practice in order to lead to a better understanding of the situation and contexts in which particular theoretical techniques may be appropriate in practice'.* For research in management accounting to be valid to both the academic researcher and the practitioner, this inter-relationship, this link between theory and practice, has to be acknowledged and researched.

Aim and Objectives

Drawing on the argument that 'normative' budgetary theory - developed for manufacturing industry - may not be applicable in practice within today's hotel industry, this research project aims to build a bridge between management accounting 'normative theory' and current practice. It will develop 'positive budgetary theory' which is pertinent to the hotel industry.

Whilst the focus of the wider debate is management accounting, this study is restricted to budgeting. Two surveys of management accounting within manufacturing show evidence of a 95% usage of budgeting, in some form, by companies (Puxty & Lyall 1989, Drury et al 1993). Budgeting is thus clearly widely used. Industry usage is essential within the framework of this research project. Study of the hotel industry has two benefits: firstly, it is in the service industry sector, which is now a larger part of the economy than

manufacturing; and secondly it is an industry in which the researcher has experience and has researched previously, including her MPhil research.

In order to achieve this aim a series of objectives and appropriate methods of enquiry have been conceived.

1. **To develop a statement of 'normative theory' regarding budgeting, based on an analysis of management accounting textbooks.**

This will require management accounting texts to be analysed for detailed information regarding various aspects of budgetary theory. The most appropriate way of analysing this data will be in the form of a content analysis, as a content analysis provides a system for 'systematic review'. The population will be drawn from Books in Print, classified under the headings 'management accounting' and 'budgeting'. The sample will judgmentally be related to the total population. The sampling process will have regard for the level of usage of texts, multiple editions and multiple texts by a single author. The unit of observation will be individual texts, whilst the unit of analysis will be chapters and sections applied to budgeting. The coding for content analysis will be of manifest content, i.e. keywords and phrases (Lewis-Beck 1994), but with regard to latent content.

The results of such a content analysis will provide a corpus of textbook content related to budgeting, which can be analysed to identify aspects of budgeting that are common across all or most textbooks in addition to

aspects that are only addressed by a handful of such textbooks. For example, zero-based budgeting is a topic covered in some textbooks, but to what extent it is covered in such textbooks has a bearing on the 'theory – practice' debate. The use of a systematic content analysis will identify if a specific topic, such as zero-based budgeting, is covered in the majority of textbooks, or whether it is something only shown in a minority of textbooks.

From the researchers' perspective, much of the gap between theory and practice debate has focused on what industry practice *is*, compared to 'textbook' theory, but has not actually systematically reviewed the 'textbook' theory with which such comparisons are drawn in the first place. This could provide a distorted and subjective view of the 'normative' theory used in such research. For example, if research within industry identified that only a small percentage of the industry used a specific budgetary technique, it could be argued that a gap existed between theory and practice. However, if it was recognized that only a small number of textbooks covered a specific technique in the first place, the conclusions reached may be very different.

To gain a full picture it is important not just to focus on the gap between theory and practice, but also to consider the gaps between 'theory' and 'theory' portrayed in textbooks and the gaps between 'practice' and 'practice' in differing organizations, or situations. A content analysis provides a systematic framework for exploring theory, as portrayed in textbooks.

2. Based on the identified elements of normative theory found through content analysis in objective 1, to administer a survey concerning the current practice of budgeting within UK hotel organizations.

As organizations' management accounting polices and procedures are usually established at a corporate level, the survey will focus on financial directors, as they have a key role in setting an organization's budgetary framework. It will be a census of all operators listed within the Hotel and Catering International Management Association (HCIMA) directory of UK Hotel Operators.

Organizations' financial data can be a sensitive subject. As this survey will focus on the *budgetary framework* used within operations it is considered finance directors will be willing to co-operate. Indeed a preliminary postal questionnaire received a positive response from hotel organizations' finance directors (n=97, 45.5% response rate), as well as the endorsement of the HCIMA. For further details of the preliminary study see Jones 1998.

In many respects this survey is descriptive in nature, as it is designed to identify current hotel industry practice. As with the content analysis, the data collected forms a corpus, or body of knowledge, that can be further used to build an understanding of budgeting in a hospitality context.

3. To analyse current practice in relation to theory from the data collated within the previous two objectives.

As the survey in objective 2 will relate to findings identified during the content analysis of theory within objective 1, an analysis of current practice can be directly related to the underpinning theory. Any elements of budgetary theory commonly or infrequently used within industry should be highlighted through statistical analysis of survey results. Analysis of such data will provide a detailed insight into budgetary practices within UK hotel organizations. As identified by the literature review, previous research concerning budgetary practices within hotel organizations is limited, particularly in a UK context. In this respect the research should prove valuable to the UK hotel industry.

4. To elicit reasons, through structured interviewing, for any budgetary theory not fully utilized within UK hotel organizations

Comparing industry practice with theory can establish the extent to which theory and practice coincide, but not the reasons why. Previous research shows evidence that elements of budgetary theory are not being fully utilized within industry, but not why. When Drury et al (1993) conducted a questionnaire survey of management accounting practices within UK manufacturing they concluded that such a survey only provided a broad description of practice and further research would be needed to examine why specific techniques are, or are not, used in industry. This research takes that

additional step by collecting qualitative data as to why certain elements of budgeting theory are, or are not, used in practice. No other research as to why practice is as it is has been undertaken in this field before. In this respect this work can make a substantial contribution to knowledge in this area and may also have an impact on hotel industry practice in the future.

The sample will be drawn from those involved within the earlier survey phase of this research. At the outset of this research it was recognized that the precise details of this aspect of the study could not be confirmed until the achievement of objective three enabled the identification of discrepancies between current theory and practice. The resulting data provides a corpus of finance director's opinions concerning both industry practice and 'textbook' theory related to budgeting in the hotel industry. Part of the issue with 'normative' or 'textbook' theory, as already stated, is that it can be viewed as 'right', with industry practice being perceived in some ways inferior, or simply wrong.

The qualitative data collected will help to provide *understanding* as to why current practice is what it is. This fits with Scapens' (2006) views that management accounting research needs to engage more with industry to understand practice, not just to identify it.

5. To develop a model of 'positive' budgetary theory appropriate for UK hotel organizations.

By *understanding* why 'normative' budgetary theory is, or is not, fully utilized within the hotel industry, it should be possible to develop 'positive' budgetary theory that will be of value in practice within UK hotel organizations. For example, it may be discovered that specific techniques are inappropriate in a service industry context, or that individuals within the industry just do not understand them. Likewise, there may be external factors that have an impact on what are considered acceptable budgetary practices, or there may be an impact due to the structure, size, or ownership of the organization.

The development of a model of 'positive' budgetary theory for hotel organizations fits well with the interpretative approach undertaken within this research. It is interpreting 'textbook' theory, industry practice and the underlying reasoning for such practice in order to form 'positive' budgetary theory, that is to say theory, informed by an *understanding* of practice.

As with objective 4, this element of the research can make a contribution to knowledge in this area and may also have an impact on industry practice in the future.

Chapter Summary

This chapter has outlined the research proposal at the outset of this research project and provided a rationale to support this. Justification is made for the specific aim and objectives of the research and how these fit within the overall interpretative and corpus methodological approach to the study. The data required to fulfil each objective are shown to call for a 'multi-method' of data collection for the research project as a whole.

Section 5

Content Analysis

Chapter 5 Content Analysis

– The development of normative theory

Introduction

The first research objective, *'To develop a statement of 'normative theory' regarding budgeting, based on an analysis of management accounting textbooks'*, provided many challenges.

To assert that *'theory states budgets are produced to aid planning and control'* requires substantiation, through evidence in the textbooks, that this is the *norm* i.e. generally supported within management accounting textbooks as a whole and not just the opinion of one individual. To make definitive statements as to the representation of budgeting within textbooks, management accounting textbooks needed to be analysed for detailed information regarding various aspects of budgetary theory. The selection of an appropriate research method and development of a research framework for conducting this phase of the research project was pivotal to the project. This reflects Scapen's (2006) first 'practical dimension', 'what managers *should* do', using a normative approach.

Research Method and Framework

To provide substantive evidence concerning 'normative' budgetary theory Content analysis was viewed as the most appropriate method. Although not widely used in the context of accounting or hospitality-applied research, content analysis was considered the most appropriate method for analysing the data to meet this objective, within the context of a corpus based methodological approach.

History of Content Analysis

Mayring (2000) believes the origins of content analysis date back to the 1920s. The precursor to content analysis were the *'hermeneutic contexts (e.g. bible interpretations,) early newspaper analysis, graphological procedures, up to the dream analysis by Sigmund Frued.'* (Mayring 2000 p. 2). Holsti (1969) provides examples of content analysis, in all but name, existing from as early as they 1740s. Rosengren (1981) believes content analysis has a long history in Scandinavia, with examples of words within hymns and sermons being counted to prove or disprove heresy during the eighteenth century. What is clear however is that by the early twentieth century it was being used by a number of researchers (Mayring 2000, Holsti 1969, Krippendorff 1980, 2004), with the first textbook, content analysis in Communications Research, being published by Berelson in 1952 (Krippendorff 1980, Mayring 2000).

By the 1960s its use had developed across the social sciences and its usage included research into linguistics, psychology, sociology, history and the arts (Mayring 2000). It is argued that, *'Content analysis is the only method of text analysis that has been developed within the empirical social sciences'* (2000, p. 132). Uses related to history and sociological studies, based on historic writings is well documented by Weber (1994). Within that context, content analysis is a key tool to assist social historians to learn from period writings.

It also has a history of use within educational research, when analysing children's written work in childhood development studies (Sydserff and Weetman 2002).

At the same time of broadening usage, content analysis has also differentiated, with models being developed to assist the use of content analysis related to communication and the analysis of non-verbal elements (Mayring 2000, Bauer 2000).

This broadening of usage has lead to changes in the definition of content analysis over recent years, leading to some disagreement amongst researchers. Whilst some argue content analysis is a quantitative tool and should be used to establish manifest content, others believe it can be an effective qualitative tool and that the study should also respect latent content (Holsti 1969, Neuendorf 2002, Mayring 2000, Bauer 2000, Cooper & Schindler 2001, Krippendorff 2004). A more detailed discussion as to the definition and usage applicable to this research are dealt with later.

Content Analysis in Applied Management Research

The use of content analysis in management research is now detailed in several business applied research methods texts (Cooper & Schindler 2001, Gill & Johnson 1991, and Zikmund 2003,). Content analysis in also mentioned, in the context of hospitality research, within 'The Handbook of Contemporary Hospitality Management Research' (Wood 1999 and Lockwood & Ingram 1999). Content analysis has been employed within several management and hospitality applied research projects. The work of Baloglu and Assante (1999) concerning research methods used within hospitality research used content analysis as its key research tool, although it did not mention it specifically as a method used in the articles they reviewed. The work of Pandit and Parks (2000) used content analysis in a similar way to review research themes in the field of lodging marketing since 1960. The uses of content analysis in such reviews of existing academic literature are not new. In 1989 Culpan undertook a content analysis of 'popular management writings' in order to answer his research questions related to leadership styles and human resource management.

This research tool has also been used to analyse the publications of organization. Yamamoto (2000) used content and semiotic analysis of tourism brochures in his study of the promotion of package tours in the Canadian resort of Whistler to Japanese tourists. Cruise, Malloy and Fennell

(1998) studied 40 tourism industry 'codes of ethics' using content analysis to establish their effectiveness to address key tourism sustainability issues.

Company annual reports can also be usefully analysed using content analysis. Tsang (1998) undertook a ten-year longitudinal study of annual reports in three industries, including food and beverage and hotel companies. His sentence-by-sentence content analysis focused on companies social reporting within their annual statements and tracked changes over time. More recently Sydserff and Weetman (2002) used transitivity index and DICTION, a computer based content analysis programme, to study verb types and forms in company annual statement narratives. Their analysis focused on comparing the narratives of 'poor performers' and 'good performers'. Some distinct differences were found, but overall they also found, '*managers of the poor performers will use impression management to make their narrative resemble as closely as possible the verbal tone of the good performers*' (Sydserff and Weetman 2002 p. 539). They go on to suggest such alignment with good performers narratives is '*possibly to obfuscate any differences in performance*'.

Other examples of content analysis usage in research relates to the specific area of customer complaints. Harrison-Walker (2001) applied the technique when studying an online customer complaints forum in comparison to other forms of complaints to identify if there were any specific content characteristics pertaining to 'E-complaining'. More recently Friman and Edvardsson (2003) used the technique to establish service satisfiers and

dissatisfies from customers' complaints and compliments. It has also been used to explore the information disseminated by wine reviews (Chaney 2000). Column space in itself was not a good indicator; content analysis was used to establish the amount of actual information disseminated by wine journalists.

The Case for Content Analysis

It is clear from the above review of content analysis usage it can be a useful research tool. Such usage in previous hospitality applied research and in the context of accounting research further supports the appropriateness of the technique for this specific study. It will aid the objective collection and analysis of data in order to determine 'normative theory' of budgetary accounting.

Consideration of specific aspects of content analysis and how they are applied in this specific study are dealt with in the detailed content analysis Framework.

Content Analysis Framework

In order to establish an appropriate framework pertaining to this content analysis many aspects need to be considered. Namely:

1. The fit of content analysis within a Corpus methodological approach;
2. An appropriate definition of content analysis;

3. Strengths and weaknesses of content analysis;

4. Content analysis research design;

5. Categorizing and coding;

6. Unit of observation and analysis

7. Sampling;

8. Manual and computer aided data analysis;

9. Quality in content analysis;

10. Reliability in content analysis; and

11. Validity in content analysis.

1. The fit of content analysis within a Corpus methodological approach

Bauer (2000) identifies that different research strategies can lead to different uses of content analysis. He describes its use in developing an 'open' text corpus, where the corpus is never complete and is continually being added to. This he views as being appropriate for media monitoring purposes. Of more significance to this study is the content analysis research strategy they view as developing 'maps of knowledge'.

> 'CA [Content Analysis] may reconstruct 'maps of knowledge' as they are embodied in texts. People use language to represent the world as knowledge and self-knowledge. To construct this knowledge, CA may go beyond the classification of text units and work towards networking the units of analysis to represent

knowledge not only by elements, but also in their relationships'

(Bauer 2000, p. 135)

This fits within a corpus methodological approach and the specific objective, *'To develop a statement of 'normative theory' regarding budgeting, based on an analysis of management accounting textbooks'*. It is the taking of individual author's thinking concerning budgeting and combining these into a shared, normative view that will construct such a 'map of knowledge'. This shared view is the cornerstone of developing normative theory concerning budgeting.

Cooper and Schindler (2001) argue that content analysis can be either a methodology or a method, *'Its [content analysis's] breadth makes it a flexible and wide-ranging tool that may be used as a methodology or a problem-specific technique'* (Cooper and Schindler 2001, p. 428). In the context of this research content analysis is being used as a research method, along with others, within a corpus methodological approach.

Bauer (2000, p. 149) believes, 'A method is no substitute for ideas'. He does not see the value of overly descriptive content analysis, but believes it to be useful in 'multi-method' research design, *'text corpora is the way forward, thus integrating qualitative and quantitative research on a large scale'* (Bauer 2000, p. 149). This multi-method research design has been used within a corpus methodological approach. The content analysis has informed further empirical study by survey and interview.

2. An appropriate definition of content analysis

A commonly cited definition of content analysis is that given by Berelson (1952) of *'A research technique for the objective, systematic and quantitative description of manifest content of communication'* (Berelson 1952, p. 18). The development of its usage since the 1950s has led to a series of redefinitions, with authors often disagreeing on the subject. Table 7 illustrates this point aptly.

Table 7

Some Definitions of content analysis

Definition:	**Reference:**
Content analysis is a research technique for the objective, systematic, and quantitative description of the manifest content of communication.	Berelson, 1952 p.18
Content analysis is any technique for making inferences by objectively and systematically identifying specified characteristics of messages.	Holsti, 1969 p.14
Content analysis is a research technique for making replicable and valid inferences from data to their context.	Krippendorff, 1980 p. 21
A research methodology that utilizes a set of procedures to make valid inferences from text. These inferences are about senders, the message itself, or the audience of the message.	Weber, 1985 p. 9
Content analysis is a research method that uses a set of procedures to make valid inferences from text.	Weber, 1994 p. 251
It is a technique for making inferences from a focal text to its social context in an objectified manner.	Bauer, 2000 p. 133
Content analysis measures the semantic content or the *what* aspect of a message.	Cooper & Schindler, 2001 p. 428
Content analysis may be briefly described as the systematic, objective, quantitative analysis of message characteristics.	Neuendorf, 2002 p. 1
Content analysis is a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use.	Krippendorff, 2004 p. 18

Holsti (1969) says that whilst definitions are diverse, even by 1969, they broadly agree that content analysis requires, *'objectivity, system, and generality'* (Holsti 1969, p. 3). He goes on to describe that to achieve objectivity *'explicitly formulated rules and procedures'* need to exist and in applying such rules consistently it becomes systematic. He also believes the findings must have theoretical relevance in order to provide generality, *'Purely descriptive information about content, unrelated to other attributes of documents or to the characteristics of the sender or recipient of the message, is of little value'* (Holsti 1969, p. 5).

Krippendorff (2004), who himself amended his earlier definition from 1980, believes scholars have provided three types of content analysis definitions: those that take content as *inherent* in the text; those that view content as a *property of the source* of the text; and *'Definitions that take content to emerge in the process of a researcher analysing a text relative to a particular context'* (Krippendorff 2004, p. 19). He believes that the *inherent* view of text, supported by earlier definitions of content analysis, makes the assumption that content is contained in messages, that reside inside a text. It is argued that if we over-simplify content analysis to only consider the simplest, common accounts that all recipients agree upon we can lose the richness that content analysis can provide to research. Definitions of the second type, content as a *property of the source* of the text, he supports to some extent and identifies Holsti's definition within this category, which he views as wanting to characterize the content of text in terms of 'What', 'How', 'to Whom'. Whilst supporting this, Krippendorff (2004, p. 21) believes this

model, *'fails to acknowledge the analyst's own conceptual contributions to what constitutes the appropriate reading of the analysed texts and the relevance of this reading to a given research question'*. The third category, where Krippendorff (2004) places his own definition, *'Definitions that take content to emerge in the process of a researcher analysing a text relative to a particular context'* (Krippendorff 2004, p. 19) takes the view that the research is part of the process and *'acknowledges the possibility that researchers' theories can play a role in how analysis proceeds'* (Krippendorff 2004, p. 21). He believes that all text has meaning; text is produced and read by others and that the content analysts should not get lost in physical manifestations of words but, *'they must look outside these characteristics to examine how individuals use various texts'* (Krippendorff 2004, p. 22).

Both Holsti (1969) and Krippendorff (1980, 2004) disagree with Berelson's (1952) views that content analysis needs to be quantitative in nature and should only be used to obtain manifest content. Krippendorff (2004, p. 19) states that, *'although quantification is important in many scientific endeavours, qualitative methods have proven successful as well.'* He believes that reading is a qualitative process and whilst it is recognized that Berelson's (1952) views, concerning content analysis needing to consider manifest content only, were linked to maintaining a high degree of reliability of results this can be detrimental, *'this requirement literally excludes "reading between the lines", which is what experts do, often with remarkable intersubjective agreement'* (Krippendorff, 2004 p. 20).

Holsti (1969) identifies merits in the qualitative approach to content analysis, but does not view this excludes the use of quantitative elements in the research.

> 'Content analysis should use qualitative and quantitative methods to supplement each other. It is by moving back and forth between these approaches that the investigator is most likely to gain insight into the meaning of his data...The relationship is a circular one: each provides new insights on which the other can feed' (Holsti, 1969 p. 11).

Whilst most contemporary definitions of content analysis support the view that the approach is no longer restricted to quantitative analysis of manifest content, this is not a universally held view, as is apparent in Neuendorf's (2002) definition. His text focuses specifically on the use of Content analysis using a quantitative approach only.

Indeed, despite the often quoted definition by Berelson (1952), his text does not itself discount qualitative approaches to content analysis. He describes how quantification can be in the form of quantitative words, such as 'more', 'always', 'often' and does not necessarily mean a formal count of how many times a word is counted, or the percentage of the sample showing a specific characteristic. Whilst others have taken the view that Berelson's 1952 definition excludes qualitative content analysis his text actually includes a

twenty page chapter entitled; 'Qualitative content analysis'. In this Berelson states:

> 'To this point we have dealt primarily with studies which have qualified as "content analysis" through their use of quantification. However, there are related forms of "content analysis" which should not be ruled out of consideration simply on a narrow definition basis. A great number of non-numerical content studies call for attention by virtue of their general contributions in insight and interest.' (Berelson 1952, p. 114)

For the purpose of this research the definitions by Holsti (1969), Bauer (2000) and Krippendorff (2004) seem most relevant. This content analyst has read textbooks concerning budgeting for over twenty years and this expertise is recognized within these definitions. For some textbooks the terminology, i.e. manifest content, may be different and yet the meaning may remain constant, this is particularly so when analysing textbooks from different countries. One text may discuss 'Budgetary Gamesmanship', whilst another refers to 'Behavioural aspects of budgeting', or 'the human element in the budgetary process'. Manifestly these are different, but on reading the relevant sections they may actually be describing a similar concept i.e. that, given human nature, people are likely to under-estimate their sales budget and over-estimate costs. Thus the latent content can prove significant in this context.

Krippendorff (2004) believes that, for the content analyst, the systematic reading of text, in a content analysis framework, narrows the range of possible inferences from the text. Thus, *'their inferences are merely more systematic, explicitly informed and (ideally) verifiable than what ordinary readers do with text'* (Krippendorff 2004, p. 25). This view is further supported by Bauer (2000):

> A text corpus offers different readings depending on the prejudice that is bought to bear. CA is no exception; however it steers a middle course between the single truthful reading and 'anything goes', and is ultimately a class of explicit procedures for textual analysis for the purpose of social research' (Bauer 2000, p. 133).

3. Strengths and weaknesses of content analysis

Bauer (2000, p.147) identifies several strengths of content analysis:

- systematic and public;
- uses 'naturally' occurring raw data;
- can deal with large amounts of data;
- lend itself to historic data; and
- has mature and well documented procedures.

Its use of naturally occurring materials, designed for another purpose, in this case textbooks, allows for interpretation of the texts, *'through the selection, unitization and categorization of raw data, while avoiding the direct reactivity*

of the respondent during primary data collection' (Bauer 2000, p. 148). With the exception of its strength related to historical data the identified strengths are relevant to the purpose of this study.

Whilst Bauer (2000) list several 'downsides' of content analysis, these do not necessarily all apply to this research. One listed disadvantage is that it provides mainly 'collective-level' data, characterizing a collection of data. With a specific objective related to normative theory, this facet of content analysis is seen as an advantage to this research project.

Another reported disadvantage is the sheer size of some content analysis projects, due to the systematic approach, *'far from being the last word on a corpus, a CA may be the first step in ordering and characterizing materials in an extended research effort'* (Bauer 2000, p. 148). In this extended research project the content analysis has intentionally been used as the first step in an extended corpus approach to meet the research aim.

Bauer (2000) conveys a tendency for content analysis to report what is present, as opposed what is missing and that sometimes it is what is missing that becomes important. This is recognized within the coding structure for this study, as detailed later.

4. Content analysis research design

Bauer (2000) identifies six different research designs for content analysis, ranging from the purely descriptive counts of frequency, which he views as simplistic and uninteresting, to parallel studies, which he considers are often ambitious and complex longitudinal studies. Of relevance to this research is the role of content analysis in 'normative analysis', *'more interesting are normative analyses that make comparisons with standards, for example of 'objective' or 'unbiased' reporting'* (Bauer 2000, p. 135). In the context of this research, this is the appropriate content analysis research design.

A key element, which influences the research design, is the starting point for establishing the 'standard' to which other textbooks will be analysed, through systematic coding. Therefore, a textbook had to be identified as the base text from which the initial coding framework could be based. This had to be established in an objective manner and would be central to establishing 'normative' theory from the content analysis. The question was asked, which management accounting textbook is most commonly used? No published lists of sales figures were publicly available and information was sought from publishers and Professors of Finance in UK based Universities.

Drury's Management and Cost Accounting 3rd edition (1992) was identified as the leading textbook in the subject area, for a number of reasons. Firstly, the cover states: '*Europe's best-selling management accounting textbook*'.

Although no list of top selling management accounting textbooks was publicly available, information from two publishers also acknowledged the claim that Drury is the key text in this area. Additionally, Professors in the subject at Oxford Brookes University, Hull University and Prof. C Drury himself (University of Huddersfield) asserted this was the 'key text' within Universities that they knew (Harris 1998, Kedslie 1998, Drury 1998).

5. Categorizing and coding

At the time of initiating the content analysis the 4th edition (Drury 1996) was published. In comparing the content concerning budgeting between these two editions only a minor difference was identified. All sections and sub-sections appeared in both editions and in the same order, with the exception of one. The 4th edition (Drury 1996) did not include the sub-section, 'Influence of other factors', within the Flexible budgeting section, which was in the 3rd edition (Drury 1992). Other differences related to typeset changes, such as colour of print and the positioning of diagrams only.

Given this, the decision was made that using the 3rd edition as the base text for coding was appropriate. This would ensure all elements of the 4th edition were included, along with the minor omission, which appeared in the 3rd edition.

Once the base text for coding was established the specific text within the book was identified. Bauer (2000) advises that codes should be devised

theoretically to reflect the purpose of the research. As the research project was specifically concerned with establishing budgetary accounting theory it was necessary to code text related to this aspect of management accounting only.

Hence coding took place of the following parts of the base textbook (Drury 1992):

Part 4:Information for planning and control, chapters 16, 17 & 20.

Chapter 16 - The Budgeting Process (p. 435 - 473)

Chapter 17 - Operational Control and Performance Measurement (p. 474 - 508) *only section applied to budgeting*

Chapter 20 - Behavioural Aspects of Accounting Control Systems (p. 590 - 616)

All references to budgets and budgeting within the index were within these three chapters. The 'green pages' were not coded, as they are Charted Institute of Management Accountants (CIMA) examination questions.

Coding was undertaken at two levels. The top level was 'Topic' headings: these were highlighted within the text by a green background and for the purposes of this research referred to as 'green flash' topics headings. Within the text, many topics were broken down into sub-sections with emboldened headings. Hudson (1999) supports the analysis of ' subtopics' within content analysis; he believes it can improve focus on specific details. For the

purpose of this study, the identified sub-sections on each topic provide a secondary level of coding within the coding framework. For example the topic, *'Why do we produce budgets?'* is broken down into the sub-sets of: *'Planning, Coordination, Communication, Motivation, Control, and Performance evaluation'*.

Although the coding text was comprehensive in its coverage of budgets, it was recognized that coding is an iterative process (Bauer 2000). For each 'green flash' level code an additional sub-code was added, 'other/ general comments'. *'Every text unit must fit a code, and none can be left over. By adding a value 'other' or 'does not apply', one ensures every unit fits'* (Bauer 2000, p. 139). This allowed the recording, at the top level of coding, of any additional material in sampled text, not covered within the initial sub-coding framework. Likewise, with one coder, it was possible to add codes during the process; if additional aspects of budgeting had been present in sampled textbooks that were not part of the initial coding framework.

This coding framework led to 16 top-level codes and 73 secondary level codes for each sampled text recorded. (See Appendix 1)

Linked to the coding framework is the categorization of the text for recording. Content analysis experts advise that categorization should ideally be mutually exclusive (Weber 1994, Bauer 2000, Berelson 1952, Holsti 1969). Texts vary significantly in size: a text such as Drury (1992) devotes over a hundred pages to the subject of budgeting, whilst others only dedicate twenty

pages to budgeting. Such differences in subject detail are accounted for in the categorization of text.

For each identified code/sub-code sampled texts were reviewed and categorized as follows:

- Covered i.e. the topic was covered in some detail;
- Mentioned i.e. the topic was mentioned, but without detailed explanation;
- Negatively covered i.e. the topic was covered, but practice not advised; and
- Not covered i.e. no mention is made of the topic within the text.

Table 8 illustrates this categorization applied to a specific code.

Table 8

Categorization of codes

Categorization:	**Illustrative example:** Code, 'Why do we use budgets?', secondary code 'Planning'
Covered i.e. the topic was covered in some detail	Planning identified as a reason for producing budgets, with further detail explaining/justifying this.
Mentioned i.e. the topic was mentioned, but without detailed explanation;	Planning is mentioned as a reason why budgets are produced, but with little further detail or explanation.
Negatively covered i.e. the topic was covered, but not advised practice	Planning covered, but disregarded as a reason for producing a budget.
Not covered i.e. no mention is made of the topic within the text	Planning is not mentioned at all in relation to reasons for budgeting.

Berelson (1952) identified that categories usually fall into one of two types; the 'what is said', related to the subject matter; and the, 'how it is said', related to the form or type of communication. The categorization for this study relates to the subject matter, what is said, as this best fits the research objective.

6. Unit of observation and analysis

Within content analysis the unit of observation and unit of analysis are not always the same (Neuendorf 2002). He goes on to state that where they are different, at least one, the unit of observation or analysis, must be a message unit, *'there must be a communication content as a primary subject of the investigation for the study to be deemed a content analysis'* (Neuendorf 2002, p. 14). The unit of observation (sometimes called the unit of data collection) for this study was established as individual textbooks, whilst the unit of *analysis* were chapters and sections applied to budgeting within each sampled textbook.

Within Berelson's (1952) identification of units, this unit of analysis represents an analysis at the level of a 'theme'. He believes that themes are one of *'the most useful units of content analysis'* (Berelson 1952, p.139), but also one of the most complex. Holsti (1969) believes that theme is the most important unit within content analysis. Krippendorff (2004) believes that the choice of unit must be dictated by the purpose of the analysis, but recognizes that

many researchers find thematic units attractive, due to their *'descriptive richness'* (Krippendorff 2004, p. 108).

Other possible units identified are; word, character, and item. The 'word' is the simplest form of content analysis - counting the presence of an individual word within the observed text. Whilst quantitatively an accurate, measurable result can be achieved at the level of the word, this would not provide meaningful data in the context of this research project. It is more meaningful to know if a textbook covers a theme, such as 'why budgets are produced', and if so, what sub-sections are covered, than to count the presence of the word 'planning', for example, in order to answer the research objective. Likewise characters, as a unit, are only applicable when investigating historical, or fictional, characters within stories and bibliographies. They were discounted as inappropriate within this study. Considering the 'item' as a whole is only useful when considering a limited number of codes and would not be appropriate within this situation.

7. Sampling

Before establishing a sample the population needed to be established. At its broadest the population could be all books ever written to include a section on budgeting. If an historic study was being undertaken, needing to review changes over a period of time this would have been appropriate. However the objective of this content analysis was to establish current normative

theory, therefore considering only books currently in print was deemed more appropriate in meeting the stated research objective.

The internationally recognized source, Global Books in Print (GBP) was used to establish all publications classified under 'management accounting' and/or 'budgeting' currently in print, published since 1990. Krippendorff (2004) identifies Global Books in Print as an appropriate source from which to draw a population for content analysis purposes. From the initial list generated, a handful of texts were discounted as inapplicable for the study. Texts discounted from the population covered:

- Management accounting texts only applied to one aspect of management accounting, which was not budgeting. Such texts, by definition, do not mention budgeting;
- Management accounting text applied to a specific industry, other than hospitality. A text focusing on for example engineering, health service or local government management accounting were deemed too specialist to aid the development of normative theory, in the context of this research; and
- Texts that were purely a collection of test examination papers did not contain 'theory', or indeed subject specific content appropriate to this investigation.

Once the above discounted texts were removed from the GBP generated list, the population was initially established at one hundred and twenty-three textbooks. Further discussion concerning the identification of the population is covered within the content analysis results section, Chapter 6.

Before a suitable sampling technique could be identified the question needed to be addressed as to, are all texts within the population *equally informative*? Krippendorff (2004) believes it is far more typical, in content analysis, that

texts are *unequally informative*. Does every textbook equally influence normative theory? For example, a text already in its 7th edition, written by an author with other publications within management accounting is likely to be more widely read and influencing 'normative theory' than that of an author who published a sole management accounting text five years ago and has since not published any other work in this area and the text has not been updated by a 2nd edition. That is not to say the second example is discounted from the sample, but to ensure each text is not viewed as being *equal informative* on 'normative theory', a random sampling technique has not been applied.

'Varying probability sampling' is discussed by Krippendorff (2004) as one approach to managing *unequally informative* texts, for example newspapers with different levels of circulation. However he does recognize it is often difficult to identify, *'importance, influence, or informativeness'* (Krippendorff 2004, p. 116), but recognizes expertise as an important factor.

Some that promote quantitative content analysis view any 'non-random' approach as inferior in sampling (Neuendorf 2002). However Holsti (1969) believes were a study does not warrant considering all texts as equal a purposive (judgemental) sampling approach, that *'reflect qualitative and quantitative aspects of the sources'* (Holsti 1969, p. 130) is most appropriate.

Berelson (1952) identifies that sampling, within the context of content analysis, is complex. He identified that few content analysis studies used

random sampling at that time and that other methods, such as stratified sampling, were useful, dependent on the research question. Bauer (2000) also identifies that it is the research question that should ultimately inform the sampling process.

As the textbooks were viewed as *unequally informative*, the sample was judgmentally related to the total population. The sampling process had regard for multiple editions, multiple textbooks by a single author and those specifically applied to hospitality. The justification for using a judgemental sample was to ensure a representative sample of textbooks was made, bearing in mind the following characteristics.

Sampling included a textbook from every author who met the criteria for being either: a textbook with multiple editions; an author of multiple textbooks within the subject area; or textbooks applied specifically to the hospitality industry. In addition a sample was taken from the 'sole textbook' category of author, detailed above.

Further discussion as to sampling in practice, in relation to the population, is covered within the content analysis results section, Chapter 6.

8. Manual and computer aided data analysis

The use of computers in content analysis has been discussed for many years (Bauer 2000, Neuendorf 2002, Weber 1994, Holsti 1969, Krippendorff 1980 &

2004). The development of computer usage in content analysis over time is highlighted by the difference between the two editions of Krippendorff (1980, 2004). Many authors identify with both 'human coding' and 'computer coding' of data. The computer lends itself to quantitative, 'word' level content analysis, particularly where the text to be analysed is available in electronic form. Neuendorf (2002) identifies this usage of computers and highlights human-coding is associated with going 'beyond the text' and useful when wishing to consider latent content.

Bauer (2000) identifies that more modern computer packages allow computer based coding to go beyond this basic usage, but reports:

> 'Computers, useful as they are, are unlikely to replace the human coder. Content analysis remains an act of interpretation, the rules of which cannot be realistically implemented into a computer within practical limitations. The human coder is good at making complicated judgements quickly and reliably' (Bauer 2002, p. 147)

Holsti (1969) identifies that computers tolerance for ambiguity is nonexistent, which can impact on the quality of the results gained. Whilst he sees some benefits of computer usage, he does not believe it is appropriate for all content analysis projects.

Given the scale of this project, the lack of computerized texts already in existence and the need to 'read between the lines', where terminology and

phrasing differs amongst text (as detailed earlier) human coding was deemed most appropriate for this research project. This is discussed further later, related to reliability.

9. Quality in Content analysis

Traditional measures of quality within research are reliability and validity. However, Bauer (2000) believes in content analysis coherence and transparency are additional criteria that need to be considered when evaluating content analysis based research. Coherence he associates with the construction of the coding framework, he advises against the 'dust-bowl' of what ever comes to mind in coding and advise a more systematic approach. He identifies a 'modular' approach, using 'building bricks' of primary codes and a set of secondary codes that can guarantee both efficiency and coherence in coding. A systematic coding framework, with primary and secondary codes, has been applied to this study, ensuring 'coherence'.

'Transparency' he believes is achieved through full documentation of the coding process, *'Documenting the coding process in detail ensures public accountability, and that other researchers can reconstruct the process should they want to emulate it'* (Bauer 2000, p. 143). Manual coding sheets were constructed and used to record each individual textbook observed. An electronic summary sheet was used to record all results electronically, including categorization as 'auto text' to ensure consistency.

Much of the discussion concerning transparency is aimed at ensuring different coders work to the same set of guidelines and that they are applied consistently. Within this project, the use of one coder ensures there are no 'inter-coder' issues, but the transparency of the coding framework allows others to emulate the research, as identified as good practice by Bauer (2000).

10. Reliability in content analysis

As content analysis requires human judgement perfect reliability cannot be expected (Bauer 2000). Krippendorff (2004, p. 213) says that, *'in the pursuit of high reliability, validity tends to get lost'*. He argues that in the pursuit for high reliability, researchers can oversimplify content analysis, leading to superficial results, which leads to poor validity. The use of computers is an example of where high reliability does not necessarily generate high validity, *'Computers process character strings, not meanings. They sort volumes of words without making sense of them'* (Krippendorff 2004, p. 214). The argument is made that the purpose of considering reliability is to reduce 'unreliability' as much as possible. Stability, reproducibility and accuracy are three types of reliability identified by Krippendorff (2004). Within a project with one coder stability is the easiest to achieve. Berelson (1952) defines this form of reliability as having *'consistency through time'* (Berelson 1952, p. 172). Stability is provided by the same coder coding a textbook and after a

period of time recoding it again to ensure the results have a high degree of comparability.

For the purpose of this study stability was tested, with an exact match being obtained, after an interval of two months. Having a clear coding framework, with a relatively simple categorization ensured stability. Holsti (1969) supports the view that reliability is maintained by having a robust coding framework and categorization system in place. This provides 'in-built' reliability into the content analysis data collection framework.

Reliability can be proven to be higher when inter-coder agreement is present in addition to stability of one coder (Krippendorff 2004). Berelson (1952) identifies this reliability as 'consistency amongst analysts'. However, Neuendorf (2002, p. 145) identifies four 'threats to reliability':

- *A poorly executed coding scheme.* For example, where the coding book provides insufficient instruction for the coder;
- *Inadequate coder training.* Where multiple coders are used, or the coder is not the coding framework designer training is crucial;
- *Coder fatigue.* It is essential that sufficient time be allocated to recording data to avoid this; and
- *The presence of a rogue coder.* Although he considers this rare, there is a chance that a coder cannot be trained sufficiently to achieve reliability.

Although having a single coder reduces the aspects of reliability that can be tested, it does ensure such threats to reliability, as mentioned above are avoided. In this situation the coder was fully aware of the coding framework.

Coder fatigue was avoided by ensuring no more than one text was coded in any one day.

Whilst reliability has been considered and mechanisms put in place to ensure it is as high as possible, it is worth noting Bauer's (2000) view that: '*A simplistic coding may yield reliable but uninformative results. On the other hand, a high reliability is difficult to achieve for a complex coding, while the results are more likely to be relevant for theory and the practical context*' (Bauer 2000, p. 146).

Bauer believes unlike some other research methods, where reliability is a pre-cursor to validity; in content analysis you have a 'trade-off' between reliability and validity.

11. Validity in content analysis

Both Bauer (2000) and Krippendorff (1980, 2004) consider validity has various elements within a content analysis. They consider the validity of the data (semantic and sampling validity) and of the process (construct validity or structural validity).

Krippendorff (1980) believes semantic validity is rarely a problem, if the data collection is a systematic process. He states, '*In content analysis high semantical validity is achieved when the semantics of the data language corresponds to that of the source, the receiver, or any other context relative*

to which data are examined' (Krippendorff 1980, p. 157). Within this study the coding framework was developed directly from the leading text within the population being observed, achieving a high semantic validity.

Sampling validity relates to whether the sample studied is representative of the whole. The sampling framework has already been discussed and justified for this study. However, as discussed within the content analysis results section, some textbooks identified within the initial sample were not available, leading to a degree of convenience sampling taking place. Within the sampling section it has been argued that not all textbooks can be considered to be equally informative. Textbooks that were 'unavailable' were not in common use: they were not available from the British Library or University libraries via Copac (Copac provides access to the merged online catalogues of major UK and Irish university research libraries, plus the British Library & the National Library of Scotland). In this respect, the sampling validity has not been weakened as a result of individual textbooks not being available. The sampling approach assumes not all textbooks equally inform the audience for such textbooks, based on availability and sales history.

Several authors consider construct validity in content analysis (Krippendorff 1980 & 2004, Bauer 2000, Hodson 1999, Weber 1994, Holsti 1969). Bauer (2000) identifies one way of achieving this is to ensure the coding framework embodies theory. With regards this study, the purpose of the content analysis is to establish 'normative' theory, so whilst theory is central to the content analysis you may argue it is the outcome and not the starting point.

Hodson (1999) identifies construct validity with the development of theory, citing construct validity as, *'an iterative process involving the interaction among concepts, theories and data'* (Hodson 1999, p. 63). He goes on to discuss how the development of theory can be the outcome of establishing divergence and convergence amongst the sample.

In this regard this research shows construct validity; theory is at the centre of the content analysis taking place. The objective is to develop 'normative' theory by establishing areas of convergence across the sample, thus making it constructively sound.

Chapter Summary

To summarize, content analysis has been identified as the most appropriate research method in order to '*develop a statement of 'normative theory' regarding budgeting'*. As a technique, content analysis has a long established history, but with limited previous usage within hospitality and financial applied research.

In developing a content analysis framework due regard has been given to the overall fit of content analysis, as a method, within a corpus methodological approach. The content analysis has been informed by reference to experts in the content analysis field over a number of decades. The content analysis framework has been developed in a methodical manner, with due regard for reliability and validity throughout the process.

Chapter 6 Content Analysis

– Data and Data Structure

Introduction

The framework and consideration of content analysis as a research method were covered within Chapter 5. Within this chapter the structure of the data and the results are explored.

Defining the Population and Sampling

As discussed in Chapter 5 the population, identified through Global Books in Print (GBP) was one hundred and twenty-three textbooks. This list was then divided between the two categories identified for sampling purposes of: single text authors; and multiple text/edition authors. This initial list is shown in Appendix 2. A number of issues relating to the generated GBP list became apparent during the data collection. Namely:

1. Some inaccuracies existed in textbook entries;
2. Not all multiple text/edition authors were readily identifiable within the list;
3. Not all textbooks that matched the search criteria, 'management accounting' or 'budgeting' dated after 1990 and currently in print were included in the list; and
4. Not all textbooks appearing on the GBP list were readily available.

1. Inaccuracies in textbook entries

Issues included textbooks being shown with a date that did not match with the actual publication date for that edition, this included the coding text, which was shown as 1994, although it was issued in 1992 and re-printed in 1994 and 1995. Possible reasons for this are due to changes in expected publication dates and differences in International editions of a textbook. For example an American edition may be 1996, but the international edition 1997 for the same textbook. Other inaccuracies appeared in ISBN numbers; again these do vary between different copies (international, hardback and paperback editions) of the same text. Such amendments to the GBP list are identified in Appendix 3. Examples include: three entries show only one author when more than one person wrote the text; and for eleven entries the date shown was different to that on the textbook or Copac listing.

2. Identification of multiple text/edition authors

Some textbooks were not identified in the list as being other than a first edition, but subsequent investigation identified some such textbooks to be a second edition (or more). Likewise some authors only appeared once within the GBP list so were initially identified as, 'single text authors', but further investigation revealed them to be within the, 'multiple text/edition authors' category. Details of these discoveries during the research process are

identified in Appendix 3 and are summarized within the 'Sample' section later in this chapter.

3. GBP list incomplete

Some textbooks known to exist did not appear within the list. It was felt inadvisable to add such textbooks to the list, as this would have provided a bias in the population. If only additional textbooks known to the author are added to the GBP list this invalidates the unbiased nature of the GPB list. In developing a corpus it is often the case that a true and complete population is hard to identify (Bauer & Gaskell 2000).

4. Some textbooks appearing on the GBP list were not readily available

Textbooks identified within the sample were requested through the inter-library loan service. In many cases the textbooks were not available from the British Library, who responded that they were not available and they had no intention of future acquisition. In such cases the inter-library loan service further searched for the textbook from other sources, mainly other UK Universities. Sometimes this proved successful, but for other textbooks after 6-12 months searching a copy of the requested textbook had not been found. As can be seen in Appendix 3, thirty-seven textbooks were requested but subsequently unavailable via inter-library loan. This does not mean all other textbooks were available, merely as detailed below, in the later stages requests were only made for textbooks known to be available via COPAC.

Due to the number of textbooks found to be unavailable, and the length of time taken to track individual textbooks the content analysis data collection was very time consuming. This took a matter of years, as opposed months to complete due to these above highlighted problems.

As stated in Chapter 5, the initial sampling framework was strictly judgemental. However, due to the availability issue of some textbooks sampling became a matter of 'convenience sampling' as the project progressed. This meant textbooks within the population were initially searched electronically via the British Library and COPAC to ascertain their availability for borrowing, before being requested as part of the sample. Appendix 3 identifies all textbooks that were requested, but not available for sampling, despite being part of the population.

Sample

The final sample was thirty-four textbooks, out of one hundred and eighteen on the final GBP list, excluding the coding text, Drury (1992). Of the initial list seventy-six textbooks were identified as 'multiple text/edition authors' and forty-six textbooks as 'single text authors'. The definitions used for these categories was detailed in Chapter 5. Table 9 demonstrates the final breakdown and number from each category sampled.

Table 9

Sample breakdown and number from each category sampled

	Total Textbooks (excluding coding text)	Multiple Textbooks	Single Textbooks	Hospitality (these were also in the multiple category)
Initial GBP List	122	76 (62%)	46 (38%)	5 (4%)
Initial identified GBP Sample	50 (41%)	45 (90%)	5 (10%)	3 (6%)
Final GBP List	118	81 (69%)	37 (31%)	5 (4%)
Final GBP Sample	34 (29%)	25 (74%)	9 (26%)	3 (9%)

Whilst the initial sampling would have included a greater proportion of 'multiple' textbooks (90%) the final sample shows the category of sampled textbooks to be closer to that of the population; for example the final list included 69% 'multiple textbooks' and the final sample included 74% from this category.

Coding Sheet

Appendix 1 shows the coding sheet used to conduct this research. For each textbook a manual coding sheet was completed, with the results subsequently recorded electronically. A copy of the coding textbook was also available throughout for reference whilst coding. Table 10 provides a summary of these primary and secondary codes used from the coding text.

Table 10

Primary and secondary codes

Primary Code:	Associated secondary codes:	
Stages in the planning process	• Identifying objectives • Identifying potential strategies • Evaluation of strategic options • Select course of action	• Implementation of long-term plans • Monitor actual outcomes & respond to divergences from plan
Why do we produce budgets?	• Planning • Coordination • Communication	• Motivation • Control • Performance evaluation
Conflicting Roles of Budgets	(none)	
The budget period	(none)	
Administration of the annual budget	• The budget committee • Accounting staff	• Budget manual
Stages in the budgeting process	• Communicating details of the budget policy • Determining the factor that restricts performance • Preparation of the sales budget • Initial preparation of budgets	• Negotiation of budgets • Coordination and review of budgets • Final acceptance of the budgets • Budget review
A detailed illustration	• Sales budget • Production budget and budgeted • Direct materials usage • Direct materials purchase • Direct Labour budget • Factory overhead budget	• Selling and administration budget • Departmental budgets • Master budget • Cash budgets • Final review
Computerized budgeting	(None)	
The budgeting process in non-profit-making organizations	• Line item budgets	• Planning, programming budgeting systems (PPBS)
Incremental and zero-base budgeting	(None)	
Flexible budgeting	• Budget formula • Performance reports • Variable costs vary with input • Allowance based on output	• Standard hours produced • Analysis of variances into price and quantity effects • Influence of other factors
The use of budgets as targets	• Aspiration levels • The effect of budget levels on performance	• Conflicting roles of budgets
The use of accounting control techniques for performance evaluation	• The dysfunctional consequences of performance measures • Managerial accounting information in performance evaluations	• The educational role of the accountant
Participation in the budgeting and standard setting process	• Factors influencing participation • The influence of participation in the budget process	• Conditions for effective participation in the budgeting process
Bias in the budgeting process	(none)	
Management use of budgets	• Management's authority and responsibility must be clear • The managers must accept their budgets and consider them to be attainable • Budgetary control information must be understood by the managers	• Training in budgetary control must be effective • Managers must understand the aim of budgetary information

Content Analysis Results

Appendix 4 (i-xiv) shows the full results, by primary and secondary code.

Four textbooks within the sample did not cover budgeting, these were: Rees (1995); Christopher (1997); Ward (1992); and Fox (1991). Although part of the GBP list they do not cover budgeting for a number of reasons. Rees (1995) is a Financial Accounting, not Management Accounting text. Christopher (1997) is a book of company specific case studies in management accounting, which does not include budgeting. Ward (1992) focuses on strategic management accounting, so whilst it covers financial planning, financial control and responsibility accounting, which are all inherently linked to budgeting it does not consider operational budgets. Fox (1991) forms part of the CIMA syllabus and does not include budgeting, although this is covered within another CIMA textbook.

For the majority of sections, discounting the above textbooks means the maximum would be a topic is 'covered' in the other thirty sampled textbooks. Sunder (1997) in addition only covers the 'human' element and no other aspects of budgeting.

Please note that within the presentation of results sections in this chapter all references to the coding textbook refer to Drury 1992. The results are presented in sections related to each primary coded aspect of budgeting in the order they appear in the coding text.

Stages in the planning process

Within this section Drury explores the role of long and short-term planning and how the preparation of an annual budget fits within a framework of an organization having a mission and setting long-term objectives. The concept of objectives being, 'measurable' is linked to objectives being stated in financial terms, where actual results can be measured against objectives set and any divergence from plan can be responded to. The section focuses on the development and implementation of corporate strategy, how that relates to a long-range financial plan and the relationship of the annual operation budgets to this long-term strategic plan for the organization. Whilst he recognizes most of the organizations corporate decision-making has already taken place prior to the preparation of the annual budget, he views the annual budgeting process as integral to this planning and control process. He suggests budgeting can often adjust the programming of planned activities within an organization.

At the primary code level, Stages in the Planning Process, coverage to some degree is included within 28 of the 34 textbooks sampled. Table 11 identifies the secondary coding level coverage of stages in the planning process.

Table 11

Secondary coding level coverage of stages in the planning process

	Identifying objectives	Identifying potential strategies	Evaluation of strategic options	Select course of action	Implementation of long-term plans	Monitor actual outcomes & respond to divergences from plan
Covered	17	8	8	7	10	9
Mentioned	5	7	6	6	8	5
Total Covered or Mentioned	22	15	14	13	18	14
Not Covered	7	13	14	15	9	14
Negatively covered	0	0	0	0	0	0

Why do we produce budgets?

The coding textbook states there are six reasons for producing short-term budgets, as shown in Table 12. As in the previous section, he recognizes that the major planning decisions have already been made prior to budgeting, but the budget allows existing plans to be refined and an opportunity for operational managers to plan for the future, not just deal with issues on a day-to-day basis. He believes the budget provides a coordinating role in meshing the plans of individual departments together. Whilst he sees the budget as having a vital communication role in itself, ensuring all in the organization understand what is expected of them, he also points to the importance of communication in the development of the budget.

The coding textbook states the budget can influence management behaviour and ensure mangers meet organizational objective. However he also expresses the view that this motivational aspect of budgeting is only positive where there has been involvement in the budgeting process and the manager views the budget as a helpful tool. Where a manager views a budget as being imposed or causing a threat it can have quite the opposite effect. He believes using budgetary control allows managers to apply management by exception, allowing managers to focus their efforts only on significant divergence from the plan. When discussing the budgets role in performance evaluation Drury focuses on the evaluation of individual manager's performance and how this can be linked to the payment of bonuses within organizations, which can than influence human behaviour.

For this primary code 29 textbooks 'covered' the subject, at the primary level. The five not covering the subject were books that either did not cover budgeting at all or textbooks that only covered a specific aspects e.g. behavioural aspects or strategic budgeting. Table 12 identifies the secondary coding level coverage of why we produce budgets. In addition to this, one textbook also identified the disadvantages of budgeting.

Table 12

Secondary coding level coverage of why we produce budgets

	Planning	Coordination	Communication	Motivation	Control	Performance evaluation	Other general comments
Covered	26	17	14	15	23	17	
Mentioned	2	7	5	6	2	4	
Total Covered or Mentioned	28	24	19	21	25	21	
Not Covered	6	10	15	13	9	13	
Negatively covered	0	0	0	0	0	0	One textbook gave disadvantages of budgeting

Some further reasons for budgeting were identified in addition to those in the secondary coding. These were:

- aiding pricing decisions (in 1 textbook);
- assisting resource allocation (in 3 textbooks).
- budget production is a company ritual (in 1 textbook);
- budgets play a sense making and sense giving role (in 1 textbook);
- budgets provide an educational role (in 1 textbook);
- budgets show organizational culture (in 1 textbook);
- evaluating alternative courses of action (in 1 textbook);
- to aid decision making (in 1 textbook); and
- to provide authorization (in 1 textbook).

With the exception of assisting resource allocation each of these additional reasons was only cited by one text, whereas those identified in the secondary coding are 'mentioned' or 'covered' in 19-28 of textbooks sampled.

Conflicting Roles of Budgets

In this section he highlights some of the contradictory roles that budgets play. To achieve maximum performance you may wish to set a high, or potential maximum budget, whilst as a plan a more realistic average expectation would be more appropriate as a budgetary plan. Where performance evaluation is made against an original budget in a changing market no account is taken of the actual trading conditions faced by the manager, this also is identified as a conflicting aspect of budgeting's many roles.

Within the coding textbook there was no further breakdown of this subject, therefore there is no secondary coding. It was 'covered' in two textbooks, 'mentioned' in five others, but 'not covered' in the majority of textbooks as twenty-seven textbooks did not mention it.

The budget period

Drury (1992, p. 442) states that, *'A detailed budget for each responsibility centre is normally prepared for one year'*. Whether this is produced: annually and broken down into calendar monthly periods; annually in thirteen four-weekly periods; produced by year quarters, with only the next quarter broken down by month; or produced as part of a continuous rolling 12-monthly budget is discussed. He states that irrespective of which planning route is taken having monthly budgets is important when it comes to budgetary control.

Again there was no further breakdown of this primary code. Nineteen textbooks 'covered' this subject, with a further eight mentioning it, leaving it 'not covered' in seven of the thirty-four sampled textbooks.

Administration of the annual budget

He believes that the administration of the budget should be tailor-made to the needs of the organization. However he does suggest a budget committee of high-level executives should be in place, alongside a budget officer (normally the accountant) who can oversee the whole process. He also believes accounting staff, whilst not involved in the content of the budget can provide an advisory and clerical role in the preparation of budgets by managers. He believes a budget manual, prepared by the accountant should exist, giving detailed procedures and that this should be distributed to all those responsible for preparing budgets.

This encompassed the discussion of the budget committee, accounting staff's role in budgeting and the use of budget manuals. At the primary coding level fourteen textbooks either 'covered' or 'mentioned' part of this topic, with twenty textbooks not covering this aspect of budgeting. In addition one textbook mentioned the role of a budget director to co-ordinate the process, whilst one mentioned the role of a budget officer. Table 13 identifies the secondary coding level related to the administration of the annual budget.

Table 13

Secondary coding level coverage of the administration of the annual budget

	The budget committee	Accounting staff	Budget manual
Covered	10	3	3
Mentioned	2	5	1
Total Covered or Mentioned	12	8	4
Not Covered	22	26	30
Negatively covered	0	0	0

Stages in the budgeting process

Whilst Drury believes budgets start at the top of the organization, this is not advocated as the starting point for writing the budget, merely where communication starts. He believes it is important that the long-term plans and policies of the organization are communicated to those preparing budgets, alongside any industry demand predication data that is available. Top management are also encouraged to review and communicate any short-term restricting issues, i.e. maximum capacity to those responsible for preparing annual budgets. In the actual preparation of budgets, as might be expected; he believes all operational budgets should flow from the sales forecast and sales budget.

Once this initial communication has taken place he believes the budgets should be prepared using a bottom-up process, where, *'the budget should originate at the lowest levels of management and be refined and coordinated at higher levels'* (Drury 1992, p. 445). He justifies this approach as allowing

maximum participation, therefore offering the best possibility that the manager will accept and strive to achieve the final budget. He describes budget preparation as a two-way process with a top-down statement of strategies and budget approval, but with bottom-up budget preparation. He does not believe there is a best single base for a budget and states managers may consider past data, information provided by top managers or use standard costing to assist in this process.

At each level in the organization the budgets are negotiated and approved. The coding textbook states it is this bargaining element in the process that shows true participation in the budget preparation that can lead to budgets being motivational. The final approval of the master budget and its dissemination within the organization gives responsibility centre managers the authority to action their plans for that period.

Drury (1992, p. 447) asserts that the process is not over following this approval and that budgeting should be seen as a, *'continuous and dynamic process'*. He believes the budget committee has a role year-round in ensuring the organization reviews performance against the budget, taking control action where required and adjusting the budget where the original budget becomes invalid due to changes in the external environment.

Twenty-two textbooks either 'covered' or 'mentioned' this, at the primary coding level, with the other twelve not covering the topic. The importance of

participation, including the use of a bottom-up approach to budgeting was a key feature in the coding text. Where 'covered' in other textbooks, a bottom-up approach was also supported. In two textbooks reference was also made to the use of activity based budgeting, which can also be linked with flexible budgeting. Table 14 identifies the secondary coding related to stages in the budgeting process.

Table 14

Secondary coding level stages in the budgeting process

	Communicating details of the budget policy	Determining the factor that restricts performance	Preparation of the sales budget	Initial preparation of budgets	Negotiation of budgets	Coordination and review of budgets	Final acceptance of the budgets	Budget review
Covered	5	8	16	17	11	11	7	9
Mentioned	10	10	6	5	8	7	10	5
Total Covered or Mentioned	15	18	22	22	19	18	17	14
Not Covered	19	16	12	12	15	16	17	20
Negatively covered	0	0	0	0	0	0	0	0

A detailed illustration

A simplified illustration of the preparation of a manufacturing organizations budget is provided by the coding text. It does not illustrate every department, or show every month in detail, but provides an illustration of specific budgets and how they are inter-dependant.

This section represented a worked example of an operational budget. Some of the terminology varied between textbooks, particular between UK and American textbooks, as you might expect. Likewise, as the example was

based on manufacturing, certain secondary coded budgets are inappropriate for service industries, i.e. a production budget and factory overheads. Twenty-six sampled textbooks either 'covered' or 'mentioned' an illustrated example of an operational budget.

Despite the above caveats and a high number of secondary codes within the section, many textbooks 'covered' the secondary codes for this section, as can be seen in Table 15.

Table 15

Secondary coding level for a detailed illustration

	Sales budget	Production budget and budgeted stock levels	Direct materials usage budget	Direct materials purchase budget	Direct Labour budget	Factory overhead budget	Selling and administration budget	Departmental budgets	Master budget	Cash budgets	Final review
Covered	23	20	21	21	21	17	20	21	24	23	17
Mentioned	3	3	3	3	3	5	5	4	2	3	5
Total Covered or Mentioned	26	23	24	24	24	22	25	25	26	26	22
Not Covered	8	11	10	10	10	12	9	9	8	8	12
Negatively covered	0	0	0	0	0	0	0	0	0	0	0

Computerized budgeting

Within this section he states budgets are usually computerized and explains how this benefits managers. He details how spreadsheets and organizational specific software can be used to manipulate data and take the drudgery out of budgeting, thus allowing managers more time to focus on modelling, 'what-if?' scenarios within the budgeting process. The advantage of being able to upload actual results, to make direct comparison to budgets,

to produce budgetary control reports is also sighted as time saving advantages of computerization of the process.

There was no breakdown of this topic. At the primary coding level nineteen textbooks did not cover this whilst seven textbooks covered it and eight 'mentioned' computerized budgeting. Of those mentioning it two were in the broader context of management accounting, which includes budgeting. Another textbook mentioning computerized budgeting only referred to computerized Planning, Programming Budgeting Systems (PPBS), as used in the non-profit sector.

The budgeting process in non-profit-making organizations

In this section the coding textbook highlights key differences in non-profit organization budgeting in organizations such as local authorities, charities, hospitals and churches to name a few. The focus on costs, as opposed organizational objectives is viewed as a difficulty in producing such budgets. This can lead to no more than cash expenditure estimates at a given point of time being compared. He goes on to consider the traditional line item accounting within this sector, where focus is given in detail to what is spent, but not the purpose of this expenditure. He argues this form of budgeting does not highlight whether funds have been managed wisely. Planning, Programming Budgeting Systems (PPBS) are intended to overcome these issues for non-profit organizations. He details how this approach can assist a non-profit organization in better budgeting that matches allocation of financial

resources to organizational objectives. However it also details incidents where such an approach can fail, due to the lack of output data available.

At the primary coding level this was 'covered' or 'mentioned' in nine textbooks, with twenty-five textbooks not covering the topic. Of those that did cover the topic few actually broke the subject down into the secondary coded aspects, as can be seen in Table 16.

Table 16

Secondary coding level for the budgeting process in non-profit-making organizations

	Line item budgets	**Planning, programming budgeting systems (PPBS)**
Covered	1	4
Mentioned	1	0
Total Covered or Mentioned	2	4
Not Covered	32	30
Negatively covered	0	0

Incremental and zero-base budgeting

The coding textbook examines incremental budgeting, based on previous budgets and zero-based budgets. He believes incremental budgets can work in aspects such as payroll and sales, but also highlights incremental budgets can perpetuate problems from previous years. He discusses zero-based budgeting at some length, arguing it makes managers justify the need for all

resources, not just adjustments from previous years. It is however recognized as a time consuming, therefore a costly process. Although this can be reduced by a rolling programme of zero-basing departments over a number of years it is recognized that incremental budgets are still widely used in industry.

He details research findings that suggest that industry awareness exists of these zero-based principles, even if the majority still chose to use an incremental approach to budgeting.

There was no further breakdown of this primary code. Seventeen textbooks did not cover this subject, whilst fourteen 'covered' it and three 'mentioned' it. Whilst one textbook gave advantages and disadvantages of zero-based budgeting it still supported it. Whilst one textbook that did not cover it by name, it did discuss budgeting for new operations, which are zero-based. Of the textbooks that 'covered' zero-base one only covered the planning but not the control aspects. One textbook covered the topic in detail, but as an appendix to the chapter, not within the main body of the text.

Flexible budgeting

Drury argues that as some costs vary with levels of activity it is important this is taken into account in cost centre performance reports. He provides a detailed example to illustrate flexible budgeting, within a manufacturing context. He ends with a warning that such budgets are still only estimates of

a situation, although some statistical applications can assist in predicting their accuracy.

Twenty-seven textbooks 'covered' or 'mentioned' flexible budgeting, with five textbooks devoting a whole chapter to the subject. Seven textbooks did not cover this primary level coded topic. In a few textbooks it was covered alongside standard costing or activity based costing. Despite such high coverage at the primary level, many textbooks did not break this down into the secondary coded aspects of the coding text, Table 17 illustrates this.

Table 17

Secondary coding level for flexible budgeting

	Budget formula	Performance reports	Variable costs vary with input	Allowance based on output	Standard hours produced	Analysis of variances into price and quantity effects	Influence of other factors
Covered	11	14	11	6	7	11	6
Mentioned	0	0	3	6	5	3	4
Total Covered or Mentioned	11	14	14	12	12	14	10
Not Covered	23	20	20	22	22	20	24
Negatively covered	0	0	0	0	0	0	0

The use of budgets as targets

Drury (1992, p. 591) makes reference to research that identifies a *'quantitative goal or target is likely to motivate higher levels of performance than would be achieved if no such target is set'*. Whilst this seems to be generally accepted, the issue comes with at what level the target is

motivational as opposed a de-motivator for an individual manager. He identifies many factors come into play, both within the organization and personal factors for the individual concerned. He concludes that it is the budget, combined with an individual's own aspirations that impact on performance, best performance was achieved when the budget was known before aspiration levels were set. It is argued that to achieve maximum performance reasonably hard to achieve budgets need to be set, but these are likely to lead to many adverse variances being reported, despite the attainment being higher. He puts forward an argument that to avoid this conflict two sets of budgets could be produced, one by which to evaluate performance, but a softer budget be used for planning purposes. He argues it is unlikely that one budget can actually best meet both organizational planning and management motivational requirements.

At the primary coding level twenty-six textbooks 'covered' or 'mentioned' the use of budgets as targets, whilst eight did not cover the subject. Five textbooks did not break the subject down by secondary codes. Table 18 identifies the secondary coding for the use of budgets as targets.

Table 18

Secondary coding level for the use of budgets as targets

	Aspiration levels	The effect of budget levels on performance	Conflicting roles of budgets
Covered	3	13	4
Mentioned	7	8	4
Total Covered or Mentioned	10	21	8
Not Covered	24	13	26
Negatively covered	0	0	0

He explores how rewards are often linked to meeting budgetary goals. He argues, particularly in non-manufacturing firms it can often be difficult to express managers' achievements in purely monetary terms. He argues in such cases more emphasis should be given to qualitative measure and subjective judgement. He discusses the need for goal congruence between the organization and the individual's goals and that there is a danger, if the wrong performance measure is used or it is used in isolation that the desired outcomes will not be achieved.

He identifies dysfunctional consequences of performance measures generally come from short-term performance measures being used, whereas organizational goals are long-term, leading to a conflict. It is suggested using several, as opposed a single measure of performance can assist in this dilemma. The coding textbook argues that using the budget within performance measurement is not the issue, but it is how the information is used and interpreted that is important. A budget-constrained style, sticking tightly to the figures, was associated with high involvement with costs and job related tensions, with poor relations with others. A non-accounting style that pays little attention to the budget in measuring performance can invalidate the budget. A profit-conscious approach, which pays regard to the budget, but also views it in the context of the long-term planning, was seen to be the most appropriate use for performance evaluation.

He argues that whilst many of the negative effects are due to the management use of the information, not the information itself, the accountant still has a role to play. He believes accountants can help educate managers to use such information to assist them in running their departments, as opposed to using such information, '*in a recriminatory manner*' (Drury 1992, p. 599).

At the primary coding level twenty-three textbooks 'covered' or 'mentioned' this topic, with eleven not covering it. Three textbooks made specific links to responsibility accounting within this section. Table 19 identifies the secondary coding for the use of accounting control techniques for performance evaluation.

Table 19

Secondary coding level for the use of accounting control techniques for performance evaluation

	The dysfunctional consequences of performance measures	**Managerial accounting information in performance evaluations**	**The educational role of the accountant**
Covered	4	10	0
Mentioned	10	10	1
Total Covered or Mentioned	14	20	1
Not Covered	20	14	33
Negatively covered	0	0	0

Participation in the budgeting and standard setting process

The coding text, as discussed previously, recommends participation in the budgetary process, however here he argues that in general management empirical studies participation is not always shown to be an advantage. Issues such as culture and personality were seen to effect whether participation impacted on results achieved. He discusses, 'pseudoparticipation' in budgeting where despite being involved in the process managers feel pressured to accept a budget, which they do not fully support. He concludes it is not participation per se that aids an individual's commitment to achieving objectives; the individual has to believe they can influence the corresponding results as well.

Twenty-five textbooks 'covered' or 'mentioned' this primary code aspect of budgeting. Some individual textbooks linked participation with other related aspects, such as responsibility accounting and the bottom-up approach to budgeting. Table 20 identifies the secondary coding for participation in the budgeting and standard setting process.

Table 20

Secondary coding level for participation in the budgeting and standard setting process

	Factors influencing participation	The influence of participation in the budget process	Conditions for effective participation in the budgeting process
Covered	9	15	10
Mentioned	6	7	6
Total Covered or Mentioned	15	22	16
Not Covered	19	12	18
Negatively covered	0	0	0

Bias in the budgeting process

Various empirical studies highlighting managers' tendency to over estimate costs and underestimate sales revenues, in order to introduce budgetary-slack are detailed within the coding text. He believes using budgets in a profit-conscious way for performance measurement can reduce this. Likewise he suggests a more radical approach would be to do away with incremental budgets and to rely upon a zero-based approach to budgeting.

There was no further breakdown of this subject, with twenty-two textbooks not covering this topic. Six textbooks 'mentioned' and 'covered' the topic respectively. Of those that 'covered' it one did so within a section on budgeting ethics, whilst a second 'covered' it within budgeting gamesmanship.

Management use of budgets

As shown in Table 21, he identifies five conditions necessary for a successful budgetary control system. He argues that a budget should be considered part of a manager's management information system and as such budgetary information has to be meaningful and relevant to the manager and meet their information needs. He identified that managers who participated in the budget setting process used the budgetary control information the most. He also discusses the information needs to be presented in a format that managers understand, which may be different to the format used by accountants. A further finding was that many managers viewed such information was to judge them, not to assist them in their managerial role.

At the primary coding level, twenty-two textbooks 'mentioned' or 'covered' the topic, with twelve textbooks not covering it. In a number of textbooks it was covered generally in relation to responsibility accounting or as part of a discussion of the human aspects of budgeting so not broken down to these specific secondary coding aspects. This is illustrated in Table 21 that identifies the secondary coding for management use of budgets.

Table 21

Secondary coding level for management use of budgets

	Management's authority and responsibility must be clear	The managers must accept their budgets and consider them to be attainable	Budgetary control information must be understood by the managers	Training in budgetary control must be effective	Managers must understand the aim of budgetary information
Covered	7	9	3	0	1
Mentioned	6	11	5	2	8
Total Covered or Mentioned	13	20	8	2	9
Not Covered	21	14	26	32	25
Negatively covered	0	0	0	0	0

Additional Data Aspects and Notes

The coding textbook gave a broad coverage of budgeting, but a handful of the textbooks sampled had a section concerning other aspects. Hilton (1997) and Raiborn (1996) both covered budgeting in international businesses. Hilton (1997) also covered ethical issues, Management by Objectives and product life-cycle in relation to budgeting. Linked with ethical issues was Raiborn's (1996) coverage of budgeting games. Anderson and Sollenberger (1992) considered budgets based on probabilities, with a range of values given, in a section focusing on 'probabilistic budgeting'. They viewed this as a useful technique in uncertain markets.

Wilson and Chaua (1993) included sections on subjects touched on by others, such as budgets in non-manufacturing organizations; budgetary slack and misinformation; and budgets within groups. They also covered budgets as political and symbolic processes in organizations.

With such wide-ranging aspects of budgeting covered within the sampled textbooks it is worth noting the differences in size of textbooks and the space devoted to budgeting. It has all ready been mentioned that the coding textbook covers budgeting over a number of chapters, whilst some sampled textbooks dedicated a whole chapter to flexible budgeting, in addition to at least a second chapter covering other aspects of budgeting. In contrast some textbooks were very brief, Uliana and Marcus' (1990) budgeting chapter was twelve pages, much of which was dedicated to a worked example and questions for students. Likewise, Finkler (1992) covered an introduction to many aspects of financial and management accounting, but this breadth did not allow depth to be covered in every topic, hence the brief chapter concerning budgets.

Chapter Summary

This chapter has presented the content analysis results and identified the data covered within the coding text. It is worth noting that the category, 'negatively covered', although available, was never used. This category allowed for textbooks to cover a topic, but not recommending it, for example a textbook advising against the use of budgets for control purposes. Within

the categorizing of codes this category was deemed necessary to ensure the data collected was not biased towards positive coverage of topics only. Given this category was never used it seems textbooks have only given space to aspects of budgeting which they feel are important or worth mentioning. The use of this category is discussed in more detail within Chapter 7, concerning content analysis results analysis.

It is only through the analysis of the results presented in this chapter that evidence for normative theory can be drawn from this body of data. Chapter 7 analyses these results and draws conclusions concerning the content analysis section of this research project.

Chapter 7 Content Analysis – Data Analysis

Introduction

This is the final of three chapters in the content analysis section. It focuses on the analysis of the data presented in the previous chapter and draws conclusions as to the objective concerning 'normative' theory related to budgeting, as identified through the sampled textbooks.

Data Analysis Tools

Within Chapter 5 the notions of quantitative and qualitative content analysis were discussed, alongside discussion of the value of considering manifest or latent content of textbooks. This discussion concluded by identifying there is never one true meaning or reading of a text, but that content analysis provides a framework to allow text to be analysed in a systematic way (Krippendorff 2004, Bauer 2000). There can be a danger of loosing insight and interest from the data, by narrow content analysis exploring only quantitative and manifest aspects of the text concerned (Berelson 1952).

It is important that content analysis is viewed as the tool to assist the analysis of the text, not an end in itself. Likewise, in identifying appropriate statistical tools to aid the analysis of the content analysis results it is important to

realize they are used as an aid to discover meaning from the data. Such tools give results that still need to be interpreted and judgements made as to their usefulness.

The case for chi-square

The content analysis data collected identifies the number of textbooks in each of four categories (covered, mentioned, not covered and negatively covered) for each recorded primary and secondary coded area. The purpose of collecting this data is to be able to draw conclusions as to the 'normative' budgetary theory, as shown within textbooks.

With the data and purpose of the research in mind, the analytical statistic considered most appropriate was chi-square. As a nonparametric test, it is suitable for dealing with data that is shown in frequencies, as in this case. The data concerned would be less suitable for parametric testing due to the sample size and it does not lend itself to the calculation of a mean or fit with a distribution curve.

A chi-square *'allows you to determine if what you observe in a distribution of frequencies would be what you would expect to occur by chance'* (Salkind 2004, p. 262). Tests such as the McNemar test for significance of changes and the Fisher's exact test are also suitable for analysing data that is in categories (Salkind 2004), but does not fit with this data. The McNemar test is designed to specifically review 'before and after' situations, which is not

appropriate for this data set. The Fisher test computes the exact probability of an outcome, usually within a 2 * 2 data table (although variations do allow for differing size data tables). This test also has its limitations, including a requirement for the totals in each data row to be fixed, making it difficult to apply in this context.

Other nonparametric tests, such as Kolmogorov-Smirnov test, Mann-Whitney U test or Spearman rank correlation coefficient are designed to analyse data that is organized by rank so were also considered inappropriate for this data.

Chi-square testing

All chi-squares were calculated using the statistical functions of Excel. The value $p < .05$ was set for chi-square values calculated, indicating there is a less than 5% chance that any difference are due to chance alone for the significant results achieved. Whilst other values were considered (i.e. 10% and 1%), 5% is a commonly accepted value (Salkind 2004, Moore 1996). The value was set in advance of analysing the data to ensure it was determined independently of the data to be reviewed.

Although the data had been categorized under four headings, the final category, 'negatively covered', was never used. The inclusion or exclusion of this category whilst testing the data for significance has an impact on the statistical results. For example, if we make the assumption that, by chance, each text has an equal chance of being placed into any one of the four

categories (covered, mentioned, not covered and negatively covered) when we use a chi-square to test for significance the results may be very different to if we ignore this unused category.

This is illustrated by Table 22. If we have four categories, the expected value in each category is 8.5, i.e. an equal chance. 'Negatively covered' has an actual result of 0, so the chi-square shows the result to be statistically significance.

Table 22

An illustration of chi-square using 4 categories

Producing budgets for communication - 4 categories					
	Actual	Expected	e-a	e-a squared	e-a squared/ e
Covered	14	8.5	-5.5	30.25	2.93
Mentioned	5	8.5	3.5	12.25	1.19
Not covered	15	8.5	-6.5	42.25	4.09
Negatively Covered	0	8.5	8.5	72.25	6.99
					15.19
			Chi 0.05		**7.81**
					significant

However if we ignore the category that is never used and test the same data against the three categories for which we have data only, as shown in Table 23, the result shown suggests this difference is not significant. Given that this is the most conservative view, i.e. is less likely to return a significant result, the fourth, unused category has been omitted for the purpose of statistical analysis. The lack of data in this category is in itself interesting and is discussed later within the chapter.

Table 23

An illustration of chi-square using 3 categories

Producing budgets for communication - 3 categories

	Actual	Expected	e-a	e-a squared	e-a squared/ e
Covered	14	11.33	-2.67	7.11	0.69
Mentioned	5	11.33	6.33	40.11	3.88
Not covered	15	11.33	-3.67	13.44	1.30
					5.87
			Chi 0.05		**5.99**
					Not significant

In some incidences it is useful to identify if a particular topic has been mentioned at all within a textbook, but the detail of the coverage i.e. 'covered' or 'mentioned' is less important. If the example already used to illustrate the difference in results when using either three or four categories is used it can be seen that by adding together the occurrences in the 'covered' and 'mentioned' category the result is still not significant, but the result gives us a clearer picture of the data. This is illustrated in Table 24.

Table 24

An illustration of chi-square using 2 categories

Producing budgets for communication - 2 categories

	Actual	Expected	e-a	e-a squared	e-a squared/ e
Covered/Mentioned	19	17	-2	4	0.39
Not covered	15	17	2	4	0.39
					0.77
			Chi 0.05		**3.84**
					Not significant

Where secondary codes exist, at the primary level data has been statistically tested using two categories to give an overview as to whether the topic was mentioned to any degree within the text. All associated secondary codes were then tested using three categories to be able to consider a more in-depth picture for each primary area. Where results of significance for a secondary code may vary between analysis by two or three codes both were calculated.

In the majority of cases chi-square tests have provided results that allow clear conclusions from the data set to be drawn. At the primary coding level clear statistically significant results were shown for thirteen primary codes, with a further two showing varying significance between the use of two or three categories; and one primary code did not provide statistically significant results. At the secondary coding level the pattern is more mixed. All secondary codes for some primary areas show statistical significance, whilst other primary coded areas show statistically significant results for around half of their associated secondary codes.

In the cases where the results require further interpretation in order to reach a conclusion interpretation is judgemental. This judgemental element is part of fully exploring the data's value and meaning over and above interpreting statistical significance.

Interpreting Statistical Significance

The difference between the meaningfulness and statistical significance of results has to be explored. A specific result may prove to be statistically not significant, i.e. differences in the number of textbooks in each category may be due to no more than chance, but this result may still provide a meaningful insight when considering 'normative' theory, as portrayed in these sampled textbooks.

Salkind (2004) reaches three conclusions concerning statistical significance: firstly, that in itself it is not meaningful unless the study has a sound conceptual base; secondly, it cannot be interpreted independently of the context in which it occurs; and thirdly, whilst statistical significances is important, it should not be the end-all of the research (Salkind 2004, p. 149 paraphrased).

Moore (1996) also identifies the need to review the data for 'practical significance' and not to just rely upon statistical significance of results. He also warns of the dangers if a lack of significance is ignored within the research.

The results of analysis of this data allows conclusions to be drawn from the data in four distinct categories, as shown in Table 25.

Table 25

A table to illustrate possible conclusions from data analysis

Conclusion:	**Chi-square result:**	**Explanation:**
Normative	Statistically significant result, towards coverage of a code	A position where the number of textbooks covering a subject is proven to be statistically significant.
Probably normative	Not statistically significant result	A position where the chi-square does not give a statistically significant result, but judgemental investigation into the data shows an inclination towards a normative position.
Probably not normative	Not statistically significant result	A position where the chi-square does not give a statistically significant result, but judgemental investigation into the data shows an inclination away from a normative position.
Not normative	Statistically significant result, towards a code not being covered	A position where the number of textbooks not covering a subject is proven to be statistically significant.

The role of the category, 'mentioned', sitting between textbooks that cover a subject or do not mention it at all becomes critical in forming an overall opinion. Some topics are generally either 'covered' or 'not covered' with very few textbooks just 'mentioning' them, whilst for other codes there is more of an even spread of results across the three categories.

Any statistical results not proved significant from chi-square tests fall into the middle categories of, 'probably normative' and 'probably not normative'. The judgement as to which category best fits the data concerned will be informed by the reading of the data and a weighted average scalene measure of the data. If 'not covered' results are notionally represented as 0, 'mentioned'

represented as 1 and 'covered' represented as 2 the results can be placed on a scale, with 0 (0%) equalling 'not covered' and 68 (100%) being 'covered'. For readability within the text these have been represented in percentage terms, whilst it is accepted there is an argument against using percentages were the results equate to less than one hundred. This is illustrated in Table 26

Table 26

Illustrated weighted average scalene measure of data

Example:	Covered (notional weighting * 2)	Mentioned (notional weighting * 1)	Not covered (notional weighting * 0)	Weighted total (max 68)	%
All textbooks cover code	34 (68)	0 (0)	0 (0)	68	100%
All textbooks do not cover code	0 (0)	0 (0)	34 (0)	0	0%
Polarized views in textbooks	17 (34)	0 (0)	17 (0)	34	50%
Textbooks towards not covered	11 (22)	8 (8)	15 (0)	30	44%
Textbooks towards covered	16 (32)	6 (6)	12 (0)	38	56%
Textbooks towards not covered	6 (12)	16 (16)	12 (0)	28	41%

As can be seen in these examples, by weighting each category a better picture can be drawn as to the general tendency of the data, where a chi-square proves inconclusive. The last two examples would both give a 'not significant' chi-square result with three categories, but a significant result with two categories, because in both cases twenty-two textbooks either 'covered' or 'mentioned' this coded aspect. However when weighted, the results for

examples 5 and 6 show a clearer picture of the data, allowing for the tendency of coverage to be easier identified.

Data Analysis

Given the above explanations concerning the analytical process the results of this are presented by individual primary coded areas. It is however worth noting, as previously mentioned, the category 'negatively covered' was not used. It would seem textbooks have spent time covering aspects of budgeting they consider important and have not devoted time and space to negatively covering other aspects, that perhaps they do not consider useful.

Stages in the planning process

As shown in Table 27, the results at the primary coding level are statistically significant. Twenty-eight textbooks either mention or cover an organization's planning process in relation to budgeting. This can be identified as part of the textbook 'normative' theory concerning budgeting.

However, many textbooks covering the general area of the planning process did not go on to break it down into the secondary coded areas identified in the coding textbook. This is supported by the fact that at the secondary coding level, the only statistically significant result is for identifying objectives, with twenty-two textbooks considering objectives setting in relation to

budgeting within organizations. Therefore 'identifying objectives' can be viewed as part of 'normative' theory.

Table 27

Chi-square results for stages in the planning process

Primary Code & Associated secondary codes:	**Number of variables**	**Chi-square**	**Statistically significant?**	**Conclusion**
Stages in the planning process	2	23.42	Yes	Normative
• Identifying objectives	3	8.00	Yes	Normative
• Identifying potential strategies	3	2.00	No	Probably not normative (41%)
• Evaluation of strategic options	3	3.35	No,	Probably not normative (39%)
• Select course of action	3	4.71	No	Probably not normative (36%)
• Implementation of long-term plans	3 2	0.19 3.92	No Yes	Probably normative (52%)
• Monitor actual outcomes & respond to divergences from plan	3	3.94	No	Probably not normative (43%)

Of the statistically 'not significant' results shown in Table 27, with the exception of the implementation of long-term plans, the rest on balance are 'probably not normative', as they show a tendency towards the 'not covered' category.

Eighteen textbooks either cover or mention the implementation of long-term plans. The weighted score of 52% shows a small tendency towards being

'covered' within textbooks. Although this may seem marginal, it is interesting to note that of the ten textbooks categorized as covering the implementation of long-term plans, nine were within the 'multiple' category and included Horngren (1999), Weston (1990) and Sollenberger & Schneider (1996) who have many editions of textbooks between them. It is also worth noting those textbooks designed for non-accounting or for business students such as Drury (1997) and Atrill & McLaney (1995) also covered this topic.

Taking an overview of the sample, only five textbooks are shown as 'covered' for all of these secondary coded areas: Drury (1997), Sollenberger & Schneider (1996), Atkins et al (1997) Weston & Brigham (1990) and Burch (1994). A more common pattern is for a mixture of 'covered', 'mentioned' and 'not covered' across these secondary areas within individual textbooks. For example, one text might cover three secondary areas, mention two and not cover the sixth. Another book may do the same, but what aspects are 'covered' in detail and what are just 'mentioned' may be different. There is no pattern in the sample to suggest that a text that covers one specific secondary code is more or less likely to cover another particular aspect. This supports the overview that the primary level is 'normative', but the pattern at the secondary level is more mixed, with individual authors choosing to emphasize (or not) specific aspects of the subject on an individual basis.

This primary code is concerned with contextualizing budgets and their fit with the organizations overall planning process. The results show, at this broad level, this is 'normative'. However, with the exception of 'identifying

objectives' and possibly the 'implementation of long-term plans', the more specific secondary coded areas are 'probably not normative', with many textbooks either 'not covering' or only 'mentioning' these other aspects.

- Whilst the results show many secondary codes as 'probably not normative', none show a statistically significant result to clearly state that any of these secondary codes are 'not normative'.

Why do we produce budgets?

This is one of the few aspects of budgeting identified where the results, at both the primary and secondary level, clearly point towards being 'normative' or 'probably normative', with only one secondary code being borderline 'probably not normative', this is illustrated by table 28.

Table 28

Chi-square results for why we produce budgets

Primary Code & Associated secondary codes:	Number of variables	Chi-square	Statistically significant?	Conclusion
Why do we produce budgets?	2	19.35	Yes	Normative
• Planning	3	32.00	Yes	Normative
• Coordination	3 2	5.10 9.48	No Yes	Probably normative (60%)
• Communication	3 2	5.87 0.77	No No	Probably not normative (49%)
• Motivation	3 2	4.32 3.10	No No	Probably normative (53%)
• Control	3	22.13	Yes	Normative
• Performance evaluation	3	8.58	Yes	Normative

Twenty-seven textbooks either 'covered' or 'mentioned' why we produce budgets. With a chi-square of 19.35 ($P< 0.5 = 3.84$) at the primary level, this identifies that all textbooks with a general coverage of budgeting at least 'mentioned' this aspect, as you might expect. If you are going to write about budgeting it is obvious to tell the reader why you believe budgets should be produced, so this is 'normative' at the primary level.

Some individual textbooks identified additional reasons for budgeting, but the number of these show the extra reasons not to be 'normative'. Of the six secondary coded areas, three are normative; planning, control and performance evaluation. The chi-squares are particularly high for planning (32.00) and control (22.13) ($p<0.5 = 5.99$) and indeed several budgeting sections in textbooks are designed around these two concepts: budgets for planning purposes and budgets as a control tool.

The aspects considered as 'probably normative' are coordination and motivation. Half the textbooks cover coordination, with twenty-four textbooks either covering or mentioning it. Results for motivation are borderline, as 'probably normative', it being at least 'mentioned' in twenty-one textbooks with the largest individual category being 'covered'.

On balance, communication is 'probably not normative': there is only one text difference between the 'covered' and 'not covered' categories, with a much smaller number 'mentioning' it.

The overall picture of how many of the secondary coded areas were 'covered' or 'mentioned' by individual textbooks is shown in Table 29.

Table 29

The number of secondary codes within why we produce budgets identified by individual textbooks

Number of secondary coded areas covered or mentioned:	6	5	4	3	2	1	0
Number of textbooks:	12	7	6	2	0	0	7

This gives a valuable insight into the data. Apart from the seven textbooks not covering the topic at the primary level, all textbooks at least mention three reasons for budgeting, and all including 'planning' as one of those reasons. Of textbooks mentioning three or four reasons for budgeting, they were more likely not to include communication or performance evaluation than other aspects. Of those that cited five reasons, there was no overall pattern, but communication was omitted more often than other aspects. This supports the view that communication is 'probably not normative'.

Conflicting roles of budgets

As shown in Table 30, this subject is considered 'not normative' within the textbooks sampled. It was 'covered' by two textbooks and 'mentioned' by a further five and therefore the majority of sampled textbooks did not cover the subject.

Table 30

Chi-square results for conflicting roles of budgets

Primary Code & Associated secondary codes:	Number of variables	Chi-square	Statistically significant?	Conclusion
Conflicting Roles of Budgets	3	36.06	Yes	Not normative

The budget period

As identified in Table 31 discussion of the budgetary period is shown to be 'normative', with only seven textbooks not covering the subject, many of these did not cover budgeting generally.

Table 31

Chi-square results for the budget period

Primary Code & Associated secondary codes:	Number of variables	Chi-square	Statistically significant?	Conclusion
The budget period	3	8.58	Yes	Normative

Administration of the annual budget

At the primary code level, as shown in Table 32, the results indicate this is 'probably not normative'. Twenty textbooks do not mention or cover the topic. Of those that have some coverage Hilton (1997) is the only author, except Drury himself, to at least mention all three secondary coded areas. Given this, it is not surprising that at the secondary coding level discussion of the role of the budget committee, accounting staff and the use of a budget

manual in the administration of the annual budget are all shown to be 'not normative'.

Table 32

Chi-square results for administration of the annual budget

Primary Code & Associated secondary codes:	Number of variables	Chi-square	Statistically significant?	Conclusion
Administration of the annual budget	2	1.74	No	Probably not normative
• The budget committee	3	19.61	Yes	Not normative
• Accounting staff	3	31.42	Yes	Not normative
• Budget manual	3	50.77	Yes,	Not normative

Stages in the budgeting process

Whilst at the primary level 'stages in the budgetary process' is 'normative', within the sample at the secondary coding level the subject has a more mixed response, as can be seen in Table 33.

The only secondary coded aspect to be statistically significant and 'normative' is the 'initial preparation of budgets', with 'preparation of the sales budget' as 'probably normative', but this is a borderline result. Whilst many secondary coded areas produce a 'probably not normative' result, none show a 'not normative' result, which is reflective of the data.

It is also interesting to review this data alongside that for the primary coded area, 'A detailed illustration', which is effectively a practical example of how individual budgets are prepared and how they relate to each other. So

where, for example, a written section concerning the 'preparation of the sales budget' is borderline 'probably normative', twenty-six textbooks actually 'cover' or 'mention' the sales budget as an illustration of a specific budget.

These results would imply it is 'normative' for textbooks to consider the stages in the budgeting process in a broad sense, but textbooks use an illustrated example to demonstrate this in more detail, as opposed to detailed coverage in a written section of the textbook.

Table 33

Chi-square results for stages in the budgeting process

Primary Code & Associated secondary codes:	**Number of variables**	**Chi-square**	**Statistically significant?**	**Conclusion**
Stages in the budgeting process	2	4.84	Yes	Normative
• Communicating details of the budget policy	3 2	9.74 0.77	Yes No	Probably not normative (29%)
• Determining the factor that restricts performance	3 2	3.35 0.19	No No	Probably not normative (38%)
• Preparation of the sales budget	3 2	4.90 4.84	No Yes	Probably normative (56%)
• Initial preparation of budgets	3	7.03	Yes	Normative
• Negotiation of budgets	3 2	2.39 0.77	No No	Probably not normative (44%)
• Coordination and review of budgets	3 2	3.94 0.19	No No	Probably not normative (43%)
• Final acceptance of the budgets	3 2	5.10 0.00	No No	Probably not normative (35%)
• Budget review	3 2	11.68 1.74	Yes No	Probably not normative (34%)

A detailed illustration

Within this primary coded area both the primary code and all eleven secondary coded areas show statistically significant results that are clearly 'normative', see Table 34. Within a section concerning budgeting some aspects are generally prose, whilst others are numerical illustrations. Within textbooks, 'a detailed illustration' is the most common numerical section, illustrating the overall master budget and its component budgets.

As the illustration relates to a manufacturing organization, it covers both the production and selling related budgets. Production related budgets are not appropriate in non-manufacturing based organizations, hence such budgets are 'not covered' in the hospitality industry applied textbooks within the sample (Coltman 1997, Schmidgall 1997 and Harris & Hazzard 1992) as this is a service industry.

Whilst it was noted that a few textbooks used different terminology, the latent content matched these identified budget areas. From analysing the data and chi-square test results the most commonly cited budget was the master budget, with the sales budget and cash budget being the next most common. This is not surprising given the master budget incorporates the individual budgets and many individual budgets stem from the sales budget, with the cash budget being important for predicting cash-flow within the organization.

Table 34

Chi-square results for a detailed illustration

Primary Code & Associated secondary codes:	Number of variables	Chi-square	Statistically significant?	Conclusion
A detailed illustration	2	15.68	Yes	Normative
• Sales budget	3	20.97	Yes	Normative
• Production budget and budgeted	3	14.00	Yes	Normative
• Direct materials usage budget	3	15.94	Yes	Normative
• Direct materials purchase budget	3	15.94	Yes	Normative
• Direct Labour budget	3	15.94	Yes	Normative
• Factory overhead budget	3	7.03	Yes	Normative
• Selling and administration budget	3	11.68	Yes	Normative
• Departmental budgets	3	14.77	Yes	Normative
• Master budget	3	25.03	Yes	Normative
• Cash budgets	3	20.97	Yes	Normative
• Final review	3	7.03	Yes	Normative

Computerized budgeting

Table 35 identifies that the discussion of computerized budgets is 'probably not normative'. It could be argued that the use of computers in accounting procedures is now so commonplace that you might expect it to no longer be worthy of mention, as it is taken for granted computers are being used. Seven textbooks 'covered' computerized budgeting, with a further eight 'mentioning' it. Of these 'mentioning' it, Arnold & Turley (1996) and Hilton (1997) mention it within the broader context of computerization in management accounting and Wilson & Chaua (1993) 'mentioned'

computerization specifically related to Planning Programming Budgeting Systems (PPBS) in the non-profit sector only.

Table 35

Chi-square results for computerized budgeting

Primary Code & Associated secondary codes:	Number of variables	Chi-square	Statistically significant?	Conclusion
Computerized budgeting	3 2	8.58 0.77	Yes No	Probably not normative (32%)

The budgeting process in non-profit-making organizations

With twenty-nine textbooks not covering this topic at the primary coded level it is no surprise the results show statistically significant results that this is 'not normative'. The 'detailed illustration' of a budget primary code clearly showed a focus towards budgeting within manufacturing industries. It seems budgeting in non-profit-making organizations is in general 'not covered' within these generic textbooks. When establishing the population from Global Books in Print some of those books rejected as being outside the remit of this study do specifically cover budgeting within government, local government, healthcare organizations and other non-profit environments. Given this, it is possible the generic textbooks do not give time to this aspect as specialist textbooks exist for those studying non-profit sectors, as illustrate by Table 36.

Table 36

Chi-square results for the budgeting process in non-profit-making organizations

Primary Code & Associated secondary codes:	Number of variables	Chi-square	Statistically significant?	Conclusion
The budgeting process in non-profit-making organizations	2	12.39	Yes	Not normative
• Line item budgets	3	62.00	Yes	Not normative
• Planning, programming budgeting systems (PPBS)	3	51.35	Yes	Not normative

Incremental and zero-base budgeting

As depicted in Table 37, although the chi-square provides a statistically significant result with three variables, this is due to the low number of textbooks (three) in the 'mentioned' category. When those 'not covering' it are compared to those either 'covering' or 'mentioning' it, a different picture can be seen. Using two variables, textbooks are split equally, with seventeen in each category. It can be concluded that zero-based budgeting is 'probably not normative', but it is also interesting to note the polarization within the textbooks, with very few textbooks just mentioning it.

The data shows no pattern of books more or less likely to cover zero-based budgeting, with coverage split between multiple and singular category textbooks and textbooks of varying size. This also supports the conclusion that it is 'probably not normative'.

Table 37

Chi-square results for Incremental and zero-base budgeting

Primary Code & Associated secondary codes:	**Number of variables**	**Chi-square**	**Statistically significant?**	**Conclusion**
Incremental and zero-base budgeting	3 2	10.52 0.00	Yes No	Probably not normative (46%)

Flexible budgeting

Table 38 illustrates the difference in results between this primary and secondary coded aspect of budgeting.

Table 38

Chi-square results for flexible budgeting

Primary Code & Associated secondary codes:	**Number of variables**	**Chi-square**	**Statistically significant?**	**Conclusion**
Flexible budgeting	2	19.35	Yes	Normative
• Budget formula	3	25.61	Yes	Not normative
• Performance reports	3 2	20.39 1.74	Yes No	Probably not normative (41%)
• Variable costs vary with input	3 2	14.00 1.74	Yes No	Probably not normative (37%)
• Allowance based on output	3	16.52	Yes	Not normative
• Standard hours produced	3	16.71	Yes	Not normative
• Analysis of variances into price and quantity effects	3 2	14.00 1.74	Yes No	Probably not normative (37%)
• Influence of other factors	3	23.48	Yes	Not normative

With twenty-seven textbooks either 'covering or 'mentioning' 'flexible budgeting', it is shown to be 'normative' at the primary coding level. As mentioned in Chapter 6, five textbooks devote a whole chapter to flexible budgeting, so it is not surprising that flexible budgeting is shown to be 'normative'. Three textbooks, Horngren (1999), Atrill et al (1995) and Raiborn et al (1996) specifically refer to Activity Based Budgeting (ABB), which has been developed from the concept of Activity Based Costing (ABC).

However when considering the secondary coded areas, none are shown to be 'normative' or 'probably normative', with four secondary coded areas showing a statistically significant result as 'not normative'.

Of those textbooks devoting a whole chapter to flexible budgeting, with the exception of Harris & Hazzard (1992), they 'covered' all of these secondary coded aspects. Some of these secondary coded aspects are not appropriate in a service industry. As Harris & Hazzard (1992) is applied to the hospitality industry, this is the probable reason for the omission of some secondary coded aspects from this text.

At the secondary coded level, for each code at least twenty textbooks do not cover it. Depending on the specific code this varies from twenty to twenty-four textbooks not covering an individual secondary code. These secondary coded aspects tend to be used where a numeric, worked example is present, but are absent where the flexible budgeting section is generally written only in prose.

The use of budgets as targets

As with the previous aspect of budgeting, Table 39 shows a distinct difference in results at the primary and secondary coding level. Twenty-six textbooks either cover or mention the use of budgets as targets, which is statistically significant, with a high chi-square result.

Table 39

Chi-square results for the use of budgets as targets

Primary Code & Associated secondary codes:	**Number of variables**	**Chi-square**	**Statistically significant?**	**Conclusion**
The use of budgets as targets	2	15.68	Yes	Normative
• Aspiration levels	3	24.06	Yes	Not normative
• The effect of budget levels on performance	3 2	1.61 3.10	No No	Probably normative (50%)
• Conflicting roles of budgets	3	31.23	Yes	Not normative

The effect of budget levels on performance shows exactly the same number of textbooks, thirteen, 'covering' and 'not covering' this secondary code, making the result borderline. Given the fact twenty-one textbooks either cover or mention it on balance, it has been considered 'probably normative'.

Whilst the use of budgets as targets is 'normative', the sub-division of the topic is inconsistent within the sampled textbooks and therefore does not show a 'normative' pattern.

The use of accounting control techniques for performance evaluation

At the primary coding level, as shown in Table 40, the use of accounting control techniques for performance evaluation is 'normative'. The secondary code, 'the educational role of the accountant', produces the highest chi-square result. All authors, with the exception of Drury, do not cover this in relation to the primary coded area, giving a 'not normative' result.

The other two secondary coded aspects are shown to be 'probably not normative', with the most common category being 'not covered' in both cases.

Table 40

Chi-square results for the use of accounting control techniques for performance evaluation

Primary Code & Associated secondary codes:	**Number of variables**	**Chi-square**	**Statistically significant?**	**Conclusion**
The use of accounting control techniques for performance evaluation	2	6.97	Yes	Normative
• The dysfunctional consequences of performance measures	3 2	12.65 1.74	Yes No	Probably not normative (26%)
• Managerial accounting information in performance evaluations	3 2	1.03 1.74	No No	Probably not normative (44%)
• The educational role of the accountant	3	68.19	Yes	Not normative

Given the coverage at the primary coding level, but not at the secondary level, what is covered needs to be addressed. In some cases this primary code is related to discussion of responsibility accounting, (Warren, Reeve & Fess 1997, Hilton 1997 and Ketz et al 1991) where it is important that there is a match between an individual's responsibilities and their performance evaluation. Participation in the budgeting process is also identified as key in using budgets as performance measures by Dominiak & Louderback (1997).

Budgets are just one possible performance measure, amongst many other financial and non-financial measures that can be used. Drury (1992) considers the overview of performance measurement and how budgets can be usefully used in this context, and the dysfunctional aspects that need to be avoided or minimized.

This primary code is an aspect more likely to be related to research and academic debate than to be a numeric section within a textbook. Given the nature of the topic, this may be a reason as to why although it is 'normative' at the primary level, the actual specific section content differs amongst authors, who are expressing opinions and beliefs concerning the subject.

Participation in the budgeting and standard setting process

At the primary coding level discussion concerning the role of participation in the budgeting and standard setting process is identified as 'normative', as detailed in Table 41. In a number of textbooks, whilst participation is

'mentioned' or 'covered' at the primary level it was noted the topic was not broken down into the specific sub-headings used by Drury, (Warren, Reeve & Fess 1997, Harris & Hazzard 1992, Hansen 1992).

Table 41

Chi-square results for participation in the budgeting and standard setting process

Primary Code & Associated secondary codes:	**Number of variables**	**Chi-square**	**Statistically significant?**	**Conclusion**
Participation in the budgeting and standard setting process	2	12.39	Yes	Normative
• Factors influencing participation	3 2	8.97 0.77	Yes No	Probably not normative (35%)
• The influence of participation in the budget process	3 2	3.16 4.48	No Yes	Probably normative (54%)
• Conditions for effective participation in the budgeting process	3 2	7.23 0.19	Yes No	Probably not normative (38%)

The pattern of textbooks mentioning or covering the specific secondary coded aspects is worth noting. Table 42 illustrates this pattern. For other aspects it has been noted that the data did not show a pattern at the secondary coding level, but in this case it does. Textbooks that 'covered' or 'mentioned' secondary codes tended to cover all aspects, with only two textbooks covering two secondary codes. Of those mentioning or covering one aspect, in all six cases, the aspect was 'the influence of participation in the budget process', which is identified as 'probably normative'. Of those identified as covering one aspect, with the exception of one text,

(Sollenberger & Schneider 1996), the aspect 'covered' was also 'the influence of participation in the budget process'.

Table 42

Number of secondary coded aspects 'covered'/'mentioned' by individual textbooks

No. of secondary aspects:	3	2	1	0
Covered or mentioned	14	2	6	12
Covered	7	3	6	18

It can be concluded that whilst 'normative' at the primary level it is not so at the secondary level. Twelve textbooks do not cover or mention any of the three secondary coded aspects, whilst eighteen do not show detailed coverage of at least one aspect. Of textbooks that have some degree of coverage at the secondary level, they are more likely to cover all three aspects. However if a textbook only covers or mentions one secondary coded aspect, with the exception of one textbook, it is always 'the influence of participation in the budget process'. This supports the conclusion of this aspect being 'probably normative', whilst the other two secondary coded aspects are shown to be 'probably not normative'.

Bias in the budgeting process

Table 43 illustrates this to be 'not normative', with twenty-two textbooks not covering the topic. Of those textbooks that did mention or cover the topic there is no pattern shown, as textbooks are in both categories

(singular/multiple author) with it being no more likely to be 'covered' in generic or industry specific textbooks or in textbooks large or small.

Table 43

Chi-square results for bias in the budgeting process

Primary Code & Associated secondary codes:	Number of variables	Chi-square	Statistically significant?	Conclusion
Bias in the budgeting process	3 2	16.52 4.84	Yes Yes	Not normative

Management use of budgets

There is a distinct difference in the results at the primary and secondary coding level, as shown in Table 44. Management use of budgets is 'covered' or 'mentioned' in twenty-two textbooks, making it 'normative'. These textbooks cover an overview of management use of budgets, which is sometimes linked to a general section concerning the human aspects of budgeting, responsibility accounting or general performance measures.

Drury identifies five conditions he believes necessary within a budgetary control system; these five are the secondary codes for this aspect. As is shown in Table 44, three of these areas are shown to be 'not normative', with twenty-five to thirty-two textbooks not covering each of these codes. The other two secondary aspects are shown to be 'probably not normative'. The fact that managers must accept their budgets and consider them attainable was 'mentioned' or 'covered' by twenty textbooks, making it the most commonly cited secondary aspect, but this is still 'probably not normative'.

Table 44

Chi-square results for management use of budgets

Primary Code & Associated secondary codes:	**Number of variables**	**Chi-square**	**Statistically significant?**	**Conclusion**
Management use of budgets	2	4.84	Yes,	Normative
• Management's authority and responsibility must be clear	3 2	13.61 3.10	Yes No	Probably not normative (29%)
• The managers must accept their budgets and consider them to be attainable	3 2	1.23 1.74	No No	Probably not normative (43%)
• Budgetary control information must be understood by the managers	3	31.42	Yes	Not normative
• Training in budgetary control must be effective	3	62.19	Yes	Not normative
• Managers must understand the aim of budgetary information	3	29.48	Yes	Not normative

The text does not show a pattern amongst textbooks. Obviously if any secondary coded aspect was mentioned it was more likely to be, 'the managers must accept their budgets and consider them to be attainable' than others, but no clear pattern emerges related to the other secondary coded aspects.

Chapter Summary

Table 45 provides an overall summary of the conclusions reached for all primary and secondary coded aspects. Of the sixteen primary codes ten are shown to be 'normative', namely:

- Stages in the planning process;
- Why do we produce budgets;
- The budget period;
- Stages in the budgeting process;
- A detailed illustration;
- Flexible budgeting;
- The use of budgets as targets;
- The use of accounting control techniques for performance evaluation;
- Participation in the budgeting and standard setting process; and
- Management use of budgets.

No primary codes are identified as 'probably normative', with two identified as 'probably not normative': Computerized budgeting; and Incremental and zero-base budgeting. In three cases, the primary code was found to be 'not normative', in each of these cases either no secondary codes existed or all secondary codes also proved 'not normative'. The identified 'not normative' primary codes were:

- Conflicting Roles of Budgets;
- The budgeting process in non-profit-making organizations; and
- Bias in the budgeting process.

Table 45

Summary of content analysis results

Primary Code:	Associated secondary codes:	
Stages in the planning process ✓✓	• Identifying objectives ✓✓ • Identifying potential strategies ✗ • Evaluation of strategic options ✗ • Select course of action ✗	• Implementation of long-term plans ✓ • Monitor actual outcomes & respond to divergences from plan ✗
Why do we produce budgets? ✓✓	• Planning ✓✓ • Coordination ✓ • Communication ✗	• Motivation ✓ • Control ✓✓ • Performance evaluation ✓✓
Conflicting Roles of Budgets ✗✗	(none)	
The budget period ✓✓	(none)	
Administration of the annual budget ✗	• The budget committee ✗✗ • Accounting staff ✗✗	• Budget manual ✗✗
Stages in the budgeting process ✓✓	• Communicating details of the budget policy ✗ • Determining the factor that restricts performance ✗ • Preparation of the sales budget ✓ • Initial preparation of budgets ✓✓	• Negotiation of budgets ✗ • Coordination and review of budgets ✗ • Final acceptance of the budgets ✗ • Budget review ✗
A detailed illustration ✓✓	• Sales budget ✓✓ • Production budget and budgeted ✓✓ • Direct materials usage ✓✓ • Direct materials purchase ✓✓ • Direct Labour budget ✓✓ • Factory overhead budget ✓✓	• Selling and administration budget ✓✓ • Departmental budgets✓✓ • Master budget ✓✓ • Cash budgets ✓✓ • Final review ✓✓
Computerized budgeting ✗	(None)	
The budgeting process in non-profit-making organizations ✗✗	• Line item budgets ✗✗	• Planning, programming budgeting systems (PPBS) ✗✗
Incremental and zero-base budgeting ✗	(None)	
Flexible budgeting ✓✓	• Budget formula ✗✗ • Performance reports ✗ • Variable costs vary with input ✗ • Allowance based on output ✗✗	• Standard hours produced ✗✗ • Analysis of variances into price and quantity effects ✗ • Influence of other factors ✗✗
The use of budgets as targets ✓✓	• Aspiration levels ✗✗ • The effect of budget levels on performance ✓	• Conflicting roles of budgets ✗✗
The use of accounting control techniques for performance evaluation ✓✓	• The dysfunctional consequences of performance measures ✗ • Managerial accounting information in performance evaluations ✗	• The educational role of the accountant ✗✗
Participation in the budgeting and standard setting process ✓✓	• Factors influencing participation ✗ • The influence of participation in the budget process ✓	• Conditions for effective participation in the budgeting process ✗
Bias in the budgeting process ✗✗	(none)	
Management use of budgets ✓✓	• Management's authority and responsibility must be clear ✗ • The managers must accept their budgets and consider them to be attainable ✗ • Budgetary control information must be understood by the managers ✗✗	• Training in budgetary control must be effective ✗✗ • Managers must understand the aim of budgetary information ✗✗

✓✓= Normative ✓= Probably normative ✗= Probably not normative ✗✗= Not normative

The pattern was rather more mixed when considering secondary coded aspects. Of the fifty-seven secondary codes, sixteen proved to be 'normative', six 'probably normative', twenty 'probably not normative' and fifteen 'not normative'.

Of the sixteen secondary coded 'normative' results, eleven were related to one primary code, 'a detailed illustration', with a further three coming from the code, 'why do we produce budgets?'. In both of these primary coded areas a high degree of 'normative' results flowed through to the associated secondary codes; however this was not the case for other aspects.

Whilst being identified as 'normative' at the primary level, no 'normative' or 'probably normative' results were identified for the secondary codes associated with, 'flexible budgeting', 'the use of accounting control techniques for performance evaluation', and 'management use of budgets'.

The relationship between individual primary codes and their associated secondary codes varied considerably. In some cases there was a clear link with textbooks that 'covered' a primary code covering all or most of the secondary coded areas, with a pattern being highlighted i.e. more likely to be 'covered' by 'multiple', or generic textbooks for example. For other codes however there was no such pattern, with the spread of coverage across all text types and coverage of one secondary code making it no more likely that a specific additional code was also 'covered'.

This analysis provides an insight into the specific aspects of budgeting covered by textbooks and what probably is and what is not normative within the sampled textbooks.

Based on these findings, the next phase of the research was to administer a survey concerning the current practice of budgeting within UK hotel organizations in order to draw comparisons between theory and practice.

Section 6

Hospitality Industry

Budgetary Practice

Chapter 8 Hospitality Industry Budgetary Practice – Postal survey research method

Introduction

The second research objective was, '*based on the identified elements of normative theory found through content analysis in objective 1, to administer a survey concerning the current practice of budgeting within UK hotel organizations'.*

Content analysis identified patterns of 'normative' theory concerning budgeting. In order to consider 'positive' theory it was essential to establish current practice, so comparisons to 'normative' theory could be made. The survey was directed towards financial directors or their equivalent within UK hotel organizations, as it was considered they are likely to influence financial policies and procedures established at a corporate level. This reflects Scapen's (2006) second practical dimension, 'what do managers do?', as discussed within the research methodology.

Appropriate Research Method

Surveys and interviews are arguably the most common research methods used in the social sciences (Bright 1991). As the objective was to identify current practice a survey was deemed most appropriate. Denscombe (2003)

identifies surveys as being able to provide a 'panoramic view', giving a breadth of coverage regarding a subject at a specific point in time. Zikmund (2003, p. 175) sates, '*typically, survey investigations attempt to describe what is happening or to learn the reason for a particular business activity*'. Cooper and Schindler (2003, p. 319) believe the, '*most appropriate applications for surveying are those where participants are uniquely qualified to provide the desired information*'.

The desire for a breadth of descriptive information concerning budgetary procedure and practices for organizations geographically spread across the UK fits well with a survey-based approach.

Gillham (2000) argues that surveys are at their best when used alongside other approaches in a 'multi-method' approach. This is supported by Saunders, Lewis and Thornhill (2003), who believe questionnaires are better linked to other methods to provide a 'multi-method' approach. Hoinville (1978) also believes questionnaires can work well alongside interviews.

Within this research the survey method is being used to provide comparative data following the use of content analysis. The survey is also followed up with additional in-depth research within industry on a smaller scale, thus ensuring the survey was used as part of a 'multi-method' approach.

The communication approach for a survey can involve researcher completed, or self-administered questionnaires. Personal or telephone interviews are

administered by the researcher, whilst these are generally recognized as having some advantages over self-administered questionnaires (Cooper & Schinderler 2003, Saunders, Lewis & Thornhil) they are not best suited given the specific requirements of this phase of the research.

Self-administered questionnaires can be posted, e-mailed, faxed, posted online or personally delivered and collected. Given the nature of the information required and the recipients being financial directors a postal survey questionnaire was judged most appropriate.

Denscombe (2003) believes postal questionnaires are appropriate when: respondents are in many locations; required data is brief and uncontroversial; there is a need for standardized data from identical questions; time allows for delays before a response is received; and the respondent can be expected to read and understand the questions. All of these points are applicable to this phase of the research.

As with any research method there are disadvantages, as well as advantages, of using a postal survey. In using such an approach it is important to make full use of the advantages, whilst minimizing the associated disadvantages.

Advantages of postal surveys

Research methods texts list many advantages of questionnaires and postal surveys.

- Able to cover a larger geographical area (Cooper & Schindler 2003, Saunders, Lewis & Thornhill 2003, Zikmund 2003).
- Breadth of coverage, therefore scores well on making generalizations (Denscombe 2003).
- Contact with respondents otherwise inaccessible, such as directors (Cooper & Schindler 2003).
- Easy to get information from a lot of people (Gillhan 2000)
- Incentives may be used to encourage responses (Cooper & Schindler 2003).
- It provides 'real world' data (Denscombe 2003).
- Lack of interviewer bias (Gillham 2000).
- Perception it is more anonymous, due to lack of interviewer (Cooper & Schindler 2003, Zikmund 2003, Gillham 2000).
- Relatively low cost (Cooper & Schindler 2003, Zikmund 2003, Denscombe 2003, Hoinville 1978, Gillham 2000).
- Respondents have time to think about their answers and collect their thoughts (Cooper & Schindler 2003, Zikmund 2003, Hoinville 1978, Gillham 2000).
- Standardized questions for analysis (Denscombe 2003, Gillham 2000, Zikmund 2003).

Key features of this study are that those being contacted are geographically spread across the UK and are at a senior level within their companies. Such people may respond, given time to consider their answers, to a perceived more anonymous postal questionnaire, but may find the commitment to

interviewing more onerous. This position is supported by the number of people willing to take part in this phase of the research compared to the following in-depth interviewing phase.

Disadvantages of postal surveys

Texts also identify a number of disadvantages for postal questionnaires.

- Accurate mailing list needed (Cooper & Schindler 2003).
- Brevity required in postal questionnaire (Gillham 2000, Zikmund 2003, Cooper & Schindler 2003).
- Completeness and accuracy of responses, as self-administered (Gillham 2000).
- Could be misinterpreted (Gillham 2000, Cooper & Schindler 2003).
- Covering letter only motivation for completing (Hoinville 1978).
- Detail and depth can be lacking (Denscombe 2003).
- Difficult to motivate respondents (Gillham 2000).
- Lack of control of the order in which questions are responded to (Gillham 2000, Zikmund 2003).
- Low response rates (Gillham 2000, Bright 1991, Cooper & Schindler 2003).
- Need to perceive personal benefit to participate (Cooper & Schindler 2003).
- Relies on respondent understanding (Hoinville 1978).
- Respondent literacy issues (Gillham 2000).
- Respondent uncertain of what is happening to the data (Gillham 2000).

Possible disadvantages and limitations can be taken into account during the planning and questionnaire design phase to minimize the negative impact of these aspects. These are explored in more detail later in this chapter, within the section concerning administering the postal questionnaire.

The use of survey research in hospitality management is well documented by Lucas (1999). She reviews many examples of survey research applied to hospitality management during the 1990s. She concludes that survey questionnaires are the most common research method used in hospitality research. She also identifies that, particularly in academic research, questionnaires are often used in conjunction with interviews.

Establishing the Population

The Hotel and Catering International Management Association (HCIMA) publishes an annual publication, The Hospitality Yearbook. Within the directory section of this publication is a 'directory of hotel operators'. This lists the UK contact details for organizations operating hotels within the UK. This list focuses on companies, both public and private, so does not include hotels run as sole trader. Given this limitation, the organizations included within this directory range from those running one hotel to those operating over three hundred hotels.

Previous survey work undertaken in 1996/7 (Jones 1997b, 1997c, 1998) had been successfully conducted using the directory details in the 1996

Hospitality Yearbook (HCIMA 1996). For this survey, conducted in Spring 2004, the most recent yearbook, (HCIMA 2003) was used to establish UK hotel operators.

Census Approach

Given the complete list amounted to eighty-one organizations (HCIMA 2003) the decision was taken to undertake a census survey, as opposed to establishing a sample from the population. In survey terms this is a small number, Denscombe (2003) defines 'small-scale surveys' to be those with between thirty and two hundred and fifty cases.

Given the expected response rates and as statistical analysis is generally considered to only be appropriate with over 30 results (Denscombe 2003, Saunders, Lewis & Thornhill 2003) sampling is inappropriate for this population.

Lucas (1999) identifies that most postal surveys applied to hospitality have less than one hundred respondents.

Ethical Considerations

Ethical considerations for survey research include; ensuring informed consent, individual's right to privacy, being informed about the research, their

need for confidentiality, and ensuring objective reporting results (Zikmund 2003).

The contact data for this survey research was from a publicly available document. No individuals or organizations taking part in the survey can be individually identified from the results published. All recipients were given the opportunity to receive a copy of the overall survey results. Both the initial covering letter (Appendix 5) and the follow-up letter (Appendix 6) reassured those taking part that, '*at no time will any individual establishment taking part in the survey be named or recognizable within the published results*'. In addition they were informed that results may also be used for teaching purposes. Within the follow-up letter (Appendix 6) they were asked to contact the researcher if they had any concerns they wished to discuss before completing the survey.

Validity and Reliability

By conducting census survey research random error, due to the sampling framework is avoided. However it is important to minimize bias or error due to non-response (Denscombe 2003), i.e. measurement error (Litwin 1995). Both Zikmund (2003) and Hoinville (1978) identify two types of non-respondents; those that fail to return a questionnaire, and those that fail to complete it.

For those that fail to engage with the process by not responding to communication it is difficult to judge the reason for non-completion. Returned uncompleted questionnaires usually give a better picture, by giving a rationale for non-completion - for example lack of time or company policy in not taking part in such surveys.

Kikmund (2003) believes that non-response error needs to be considered, as it can be a particular issue in postal and Internet based surveys. One issue raised within many research methods texts is the matter of response rates for postal surveys. Whilst this is covered in more detail later in this chapter, it is worth noting that Denscombe (2003), Bright (1991) and Zikmund (2003) believe, when considering non-response error, it is not the number of respondents, but their characteristics that are more important. Are the characteristics of those that *did* respond the same as those that *did not*?

Within this survey, as shown by the results in Chapter 9, respondents came from various size of operations, with various structures and ownership patterns, suggesting they do represent the characteristics of the population as a whole and are not bias to a specific type of respondent. Denscombe (2003) suggests questioning if the response rate is reasonable and in line with comparable studies is important, alongside adopting appropriate measures to minimize non-responses.

Saunders, Lewis and Thornhill (2003) believe response rates, validity and reliability are all maximized by the; design of questions, layout of the

questionnaire, explanation of purpose, piloting, and careful administration of the survey. Reliability can be further tested by 'test and re-test' (Saunders, Lewis & Thornhill 2003, Litwin 1995). Within a census this is hard to achieve, but as previous survey work in this area from a similar population in 1996/7 took place, correlation between the two data sets can be made. As shown in Chapter 9 there was a high degree of correlation shown between these two data sets where tested.

Administering the Postal Survey

The way a survey is administered can have an impact on response rates, validity and reliability of the survey. Discussion of this has been broken down into specific sections; maximizing response rates, the questionnaire content and design, the covering letter, pre-testing, mailing, and follow-up.

Maximizing Response Rates

As previously mentioned, low response rates are considered an issue for postal surveys. However the norm is not clear within research methods texts, as can be seen in Table 46.

Table 46

Expected response rates from postal surveys

Author(s)	**Suggested response rates:**
Bright (1991)	Usually 40%
Cooper & Schindler (2003)	30% satisfactory
Denscombe (2003)	Lucky to get 20%, 10-15% not uncommon
Gillham (2000)	30% typical, 50% good
Hoinville (1978)	50% normal
Lucas (1999)	Within hospitality postal survey research vary from 10% to 65%, with the majority falling between 20% and 40%
Saunders, Lewis & Thornhill (2003)	30% reasonable
Zikmund (2003)	15% for poorly designed surveys

Given this data it would seem below 30% is generally not considered acceptable, whereas 30% is considered acceptable, 40% usual and 50% good. With any individual survey there will be specific factors that influence participation and many texts identify measures that can be taken to maximize the response rate. Saunders, Lewis and Thornhill (2003) take this one step further by identifying the possible percentage increase for many ways to improve the response rate.

Data from Lucas (1999) is drawn from reviewing published research using postal surveys in hospitality management. She identified the lowest response rate, 10%, related to a random sample countrywide project, where as the highest rates were achieved in a cluster sample from a small geographical area based project.

Ways identified to maximize response rates and how they have been applied to this study are shown in Table 47. Further details relating to specific aspects are covered in more detail later within this chapter.

Table 47

Factors affecting response rates

Factor identified	How applied to this study
Anonymity, (Cooper & Schindler 2003) Saunders, Lewis and Thornhill (2003) suggest an average impact of +10% if external to the company.	Respondents were reassured of anonymity within the covering letter and this was reinforced at the start of the questionnaire.
Covering letter with references, identifying importance to the profession and personally signed (Hoinville 1978, Cooper & Schindler 2003).	The covering letter was on headed paper, thus providing credibility; it identified the importance to the individual and the profession and was personally signed.
Follow-up questionnaires, (Zikmund 2003, Hoinville 1978, Schindler & Cooper 2003, Gillham 2000) Saunders, Lewis and Thornhill (2003) suggest an average impact of +12%.	Follow-up questionnaires were mailed to all non-respondents.
Good **questionnaire design** (Zikmund 2003, Hoinville 1978, Gillham 2000).	The questionnaire followed design advice and was pre-tested before distribution.
Identity coding, so only non-respondents followed up (Zikmund 2003, Hoinville 1978, Saunders, Lewis and Thornhill 2003).	Each organization was allocated a number and questionnaires coded, so respondents could be identified.
If individuals have a **personal interest** they are more likely to respond (Zikmund 2003).	The questionnaire was directly related to the job of the individuals receiving it.
Incentives, (Hoinville 1978, Cooper & Schindler 2003) Saunders, Lewis and Thornhill (2003) suggest an average impact of +12% - 15%.	Given the respondents were high level managers financial incentives were inappropriate, however all respondents were offered a copy of the summary finding as an incentive for taking part.
Interesting questions (Zikmund 2003).	They related directly to their job, so should have maintained interest.
Length of questionnaire should be minimized (Cooper & Schindler 2003)	The questionnaire was kept to a minimum, six-sides of A4 paper.
Personalization of covering letter (Zikmund 2003, Gillham 2000).	All letters were mail merged to include organization details within the letter and were personally signed.
Prior notification, Saunders, Lewis and Thornhill (2003) suggest an average impact of +19%.	This did not take place. Given the specialist nature of the questionnaire and the previous survey work in this area this was not considered appropriate.
SAEs (Zikmund 2003, Hoinville 1978, Cooper & Schindler 2003, Gillham 2000). Saunders, Lewis and Thornhill (2003) suggest an average impact of +7% for stamps on return envelopes.	Return envelopes were included; although these were 'freepost' they were not pre-printed 'mail shot' envelopes.
Survey sponsorship by well-known organization (Zikmund 2003, Cooper & Schindler 2003, Gillham 2000).	Endorsement was sort from HCIMA and British Association of Hospitality Accountants (BAHA), but responses were not received by time of initial mailing. BAHA endorsement was agreed for the follow-up mailing.

Questionnaire Content and Design

In order to gain a fuller picture of how patterns compared to that shown in textbooks, the survey did not restrict itself to only elements of 'normative' theory. For example, books may have shown a 'not normative' result about a certain aspect of budgeting. It is important to know if this pattern is followed through in industry practice, or whether there is a different consensus within the industry.

The purpose of the questionnaire was the most important factor in its design. Data collected needed to be analysed against the content analysis data collected from textbooks. In addition, where appropriate, the questionnaire was designed so findings could be analysed against previous surveys in this subject area, such as presented by Jones (1997b, 1997c, 1997d, 1998), Schmidgall and Ninemeier (1986, 1987, 1989), and Schmidgall and Borchgrevink (1996). Saunders, Lewis and Thornhill (2003) show that questions can be adopted or adapted from previous surveys or you can design your own. They suggest that adopting or adapting is best for making comparisons. Whilst some adoption and adaptation has been used, it is important to ensure the survey focuses on the specific research objective in hand, so the survey is not side-tracked by previous work in this subject area.

There is much guidance and advice concerning questionnaire design, Denscombe (2003) views it as ultimately a matter of judgement. He advises to; only ask questions that are vital to the research, avoid duplication, make

the respondents' task as easy as possible, and to make the questionnaire visually appealing.

There are various views concerning the length of a questionnaire. Hoinville (1978) believes the need for questionnaires to be short is a myth and that interest, appearance and clarity are more important; he does however suggest a maximum of eight to ten sides. He also believes in the use of sub-sections, so question numbering is never too high. Saunders, Lewis and Thornhill (2003) state postal questionnaires should be six to eight pages in length and they encourage the use of titles, sub-titles and graphics to set the questionnaire apart. Bright (1991) believes that a logical sequence of subsections and questions is important to the design of questionnaires.

The questionnaire was printed in Arial 10pt and 12pt, using such a size and easy to read font is advised by Saunders, Lewis and Thornhill (2003). Questions were kept as brief as possible, but additional definitions and explanations were added were it was felt these were needed to ensure a full understanding of the question or technical terminology used within a question.

The final version of the questionnaire is shown in Appendix 7. It was six pages in length, including a front page with graphics, instructions and explanation of the sub-sections and a back page dealing with respondent details and return information. The four sections of the questionnaire covered:

- The process used in setting budgets;
- Monitoring and review of budgets and the budgetary processes;
- Human aspects of the budgeting process; and
- Organization information.

Textbooks generally break budgeting into the planning and control phases of the process and where the 'human aspects' are covered, these can be a separate chapter within textbooks. The first three sections of the four in the questionnaire follows this pattern. Each sub-section includes between six and eight questions. The ordering of the sections allows for a logical progression in the budgeting processes for respondents. By placing the human aspects of budgeting and organization details towards the end of the questionnaire, the design followed the advice of Denscombe (2003) and Saunders, Lewis and Thornhill (2003), to order questions from easy to hard and from non-sensitive to sensitive questions.

In general questions were closed, but with an option of 'other please specify' included to ensure a full picture could be ascertained. For some responses an open-ended, 'please explain' follow-up was included to elicit reasoning for a specific response. This approach of following up on closed questions is supported by Converse and Presser (1986). Zikmund (2003) identifies closed questions as easier for the respondent to answer and easier for coding results, allowing for simpler interpretation of results.

Various closed question types exist, including lists, categories, ranking, scales, ratings, specifying quantity and grids (Saunders, Lewis and Thornhill 2003). The majority of questions in this survey required either 'tick all' that apply or 'tick one' from alternatives from a list of options.

Section A was list style, but also included a grid style question related to involvement in the preparation of the budgets and an opportunity for respondents to add any additional points concerning the budgetary planning process. The grid question was seen as the best method of dealing with the complex issue of which managers are involved in setting budgets at which level, where the number of levels in the hierarchy vary between organizations.

Section B was also generally 'tick box' questions, with one grid question related to significant variances. It gave the opportunity to add any additional points concerning budgetary control. The question related to significant variances did not lend itself to a list of possible answers, so a grid was seen as the best format to elicit responses.

Whilst Sections A and B generally related to budgeting aspects covered by previous industry surveys in this area, section C had not been covered by these previous surveys. Section C dealt with human aspects of budgeting, but needed to be presented in such a way that respondents did not feel their answers were sensitive or personal to the organization. Due to this, the sections consisted of six questions in the form of statements, with a 5-point

scale ranging from 'strongly agree' to 'strongly disagree'. This enabled respondents to give opinions concerning aspects of budgeting, without the need for lengthy, and probably leading, explanations of textbook opinions being required. The closed nature also assists with the analysis of such data.

Section D required one-word answers or 'tick the one that applies' style questions. The purpose of this section was to ascertain the size and structure of the organizations, in order that patterns related to particular aspects could be considered. For example, does the budgeting process start earlier in organizations with more management levels? Information was gathered concerning size, in number of hotels managed, sales revenue, and in number of bedrooms operated. Ownership and whether hotels were their main business was also ascertained so any patterns could be tracked.

At the end of the questionnaire respondents were asked if they wished to receive a copy of the summary report and whether they were willing to be further involved in the study. This allowed an additional contact to be made with respondents willing to give their details and identified respondents willing to be involved for follow-up research.

Covering Letter

The final covering letter for the initial mailing is shown in Appendix 5. A number of the points already discussed concerning maximizing response

rates relate to the covering letter. The covering letter was personalized by being mail-merged with the organizational name appearing in the main body of the text and it being addressed to the Financial Director, or equivalent title known to be used within the organization, in addition to being personally signed. The, 'what's in it for me?' was covered through highlighting the benefits to the profession and industry in taking part. The incentive of free summary results was also highlighted in the covering letter. The letter was also kept to one-side of A4. Such features of the covering letter are well documented by Saunders, Lewis and Thornhill (2003).

The HCIMA and the British Association of Hospitality Accountants (BAHA) were contacted for endorsement of the survey as it was felt these were organizations that would be recognized by the recipients. Response was not received in time for the initial posting. BAHA did subsequently provide endorsement and this was used later in the research process.

Pre-Testing

Pre-testing is important to reliability as it assists in ensuring the questionnaire is understood and easily completed by respondents. Two aspects influenced the way in which the questionnaire was tested. Firstly, a similar survey had taken place in 1996 (Jones 1997b, 1997c, 1997d, 1998) and at that time had been piloted before a census survey was successfully conducted. This meant that relevant question format and wording had already been tested on a similar audience previously. For example, the ordering of sections was

amended following piloting of the previous survey. This decision informed the ordering of sections for this current survey. Secondly, using a census approach, with a relatively small population, meant that any large-scale piloting amongst the population would have decreased the number of responses achievable for the main study, with an impact on available respondents and the possible ability to conduct statistical analysis of the results.

Due to this, small-scale pre-testing took place, as opposed to a full-scale piloting. Two Cotswold-based hotels that were outside the population completed the survey. These were subsequently asked about the process, for example; time taken to complete, order of questions, question clarity, anything pre-test respondents thought could be improved. The result of this pre-test were minor changes to a handful of questions. The pre-testing process did not add or remove any questions or change the order of questioning.

Mailing

The initial mailing was posted 25th March 2004. Each questionnaire was coded so responses could be tracked and non-responses subsequently followed up. The questionnaire was double-sided to ensure less bulk and perceived size by recipients.

Follow-up

At the time of initial posting a follow-up date was not set. Whilst response were still being received almost daily a follow-up was not sent, when the level of returns dropped a follow-up was conducted. Appendix 6 shows the contents of the follow-up letter, which was sent with an additional copy of the questionnaire and return envelope. The second letter was briefer than the first, but identified the endorsement of BAHA. In addition it mentioned the freepost return of the questionnaire. It re-emphasized the confidential nature and asked potential respondents to make contact if they had any concerns to discuss before completing the questionnaire. It also gave the option to return the questionnaire uncompleted if they felt they could not complete it for any reason. This would at least ensure two-way contact had been made with the recipient and would allow non-respondents to be broken down by type.

The second mailing was posted 7th May 2004 and produced further returns. Given that the response rate achieved was above the 'satisfactory' mark and considered 'good' by most definitions a further follow-up was not considered necessary. Gillham (2000) suggests that prompting is good, but it should not be overdone.

Chapter Summary

In summary, a postal census survey was deemed best suited to the specific research objective. Whilst the limitations of such a method are

acknowledged, these are minimized through the design and administration of the survey.

Chapter 9 Hospitality Industry Budgetary Practice – Survey results

Introduction

This chapter will consider the survey from the point of initial mailing to organizations through to the summary results for individual questions. These results are then analysed and compared to content analysis results and previous survey data in Chapter 10.

Table 48 summarizes the survey process and response from the point of initial mailing to organizations.

Table 48

Survey timeline and response

Phase:	**Response/involvement:**
Initial mailing 25th March 2004	Sent to 81 organizations, initially 16 completed questionnaires returned.
Follow-up mailing 7th May 2004	Sent to 65 organizations, an additional 15 completed questionnaires returned, plus 4 returned uncompleted.
June 2004 completed	In summary 31 organizations had completed the questionnaire, 21 requested the executive summary and 5, possibly 6, respondents expressed a willingness to be further involved in study.
19th July 2004 the executive summary distributed to respondents requesting it.	Sent to 21 organizations, this was a further opportunity to ask respondents if they were willing to be further involved in the research.
September 2004 article giving summary results published in BAHA Times (Jones 2004)	Further opportunity for people to make contact, if they wished to be involved in the research.
February 2006, book chapter published (Jones 2006), including summary data.	N/A

Initial Mailing

The initial mailing to organizations coincided with the end of the tax year, which is also the end of the financial year for some organizations. Whilst this meant budgets would have been a current focus for many organizations it is also recognized that it can be the busiest time of the year for respondents.

The initial mailing generated sixteen completed questionnaires, which represents an initial response rate of twenty-one percent. At this stage no questionnaires were returned uncompleted. It is interesting to note a similar survey in 1996 (Jones 1998) was mailed to ninety-seven organizations, but the HCIMA listing of hotel organizations had fallen to eighty-one by 2003, with many changes of organizations within the listings.

Follow-up Mailing

The follow-up letter and questionnaire took place in early May 2004. It was felt a mailing early in the month, during May would be a quieter time for financial directors and was more likely to elicit a response. Additionally, this mailing was able to make use of BAHA endorsement, which should improve the response rate. An additional fifteen questionnaires were returned completed from the follow-up mailing. Four further questionnaires were returned uncompleted. Of those returned uncompleted one organization stated it was not company policy to take part in such studies, whilst another stated pressure of work and lack of time for non-completion.

This follow-up mailing included twenty-four organizations that had not responded in 1996, only four of these went on to complete the 2004 survey. In contrast, sixteen organizations that took part in 1996 were involved in this second mailing, with seven of these completing the 2004 survey.

Response Rate

In total, thirty-one organizations completed the questionnaire, giving a 38% response rate. As discussed in Chapter 8, such a response rate would be considered above satisfactory and usual for a postal survey.

In comparison to related hospitality based research, Schmidgall and Borchgrevink (1996) reported a response rate of 24% for USA based hotels and 10% for Scandinavian hotels in their study of budgeting in 1996. Schmidgall and Ninemeier (1986, 1987) reported 44% in their study of food-service chains in the USA, but 53% for a follow-up study of USA hotel chains in 1987. Schmidgall and DeFranco (1998) reported a response rate of almost 30% in the USA. Previous UK based hotel budgeting research (Jones 1998) reported a 45% response rate.

At 38% this study is at the median point and above the arithmetic average of 35%. However, the use of percentages with a relatively small number of respondents and a small number of comparative studies does not lend itself to statistical analysis. With thirty-one respondents the study would be

considered small, though thirty is generally accepted as the minimum respondents for meaningful statistical analysis (Denscombe 2003).

It is interesting to note twenty organizations that were listed by the HCIMA in 1996 and 2003 did not respond in either the 1996 or 2004 survey. Eighteen organizations that were listed in both 1996 and 2003 took part in both the 1996 and 2004 surveys.

Due to the number of respondents all results have been presented as actual numbers, not as percentages. Debscombe (2003) believes using percentages in small-scale research can be misleading to the reader.

Respondents

The respondents were finance directors or the equivalent that took responsibility at organizational level for finance and accounting. Around half of those that took part had the title, 'Finance Director', in other cases a maximum of two respondents had the same alternative title, for example, 'Group General Manager', 'Financial Controller', Hotels' Accountant', and 'Managing Director'. Some respondents identified their organization by name when answering the survey, but these are confidential and not part of the reported results. The thirty-one respondents described their ownership as follows:

- Parent organization 1
- Partnership 1

- Private company 19
- Public company 10

Twenty-nine of the respondents viewed hotels as the main part of their organizations trade, with the other two respondents considering hotels as one of many trading sectors. No respondents viewed hotels as a minor element of their organization.

They ranged from those organizations operating one hotel to those operating over 300 hotels, as can be seen in Table 49.

Table 49

How many hotels are operated by the organization

Hotels Operated:	1	2-5	6-10	11-30	31-50	51-75	75-100	101-300	300+
Number of respondents:	2	8	5	5	1	2	4	0	4

A further measure of size of respondent organizations is the number of hotel bedrooms they operate. This ranged from those operating less than fifty rooms, to those operating over ten thousand bedrooms, as illustrated in Table 50.

Table 50

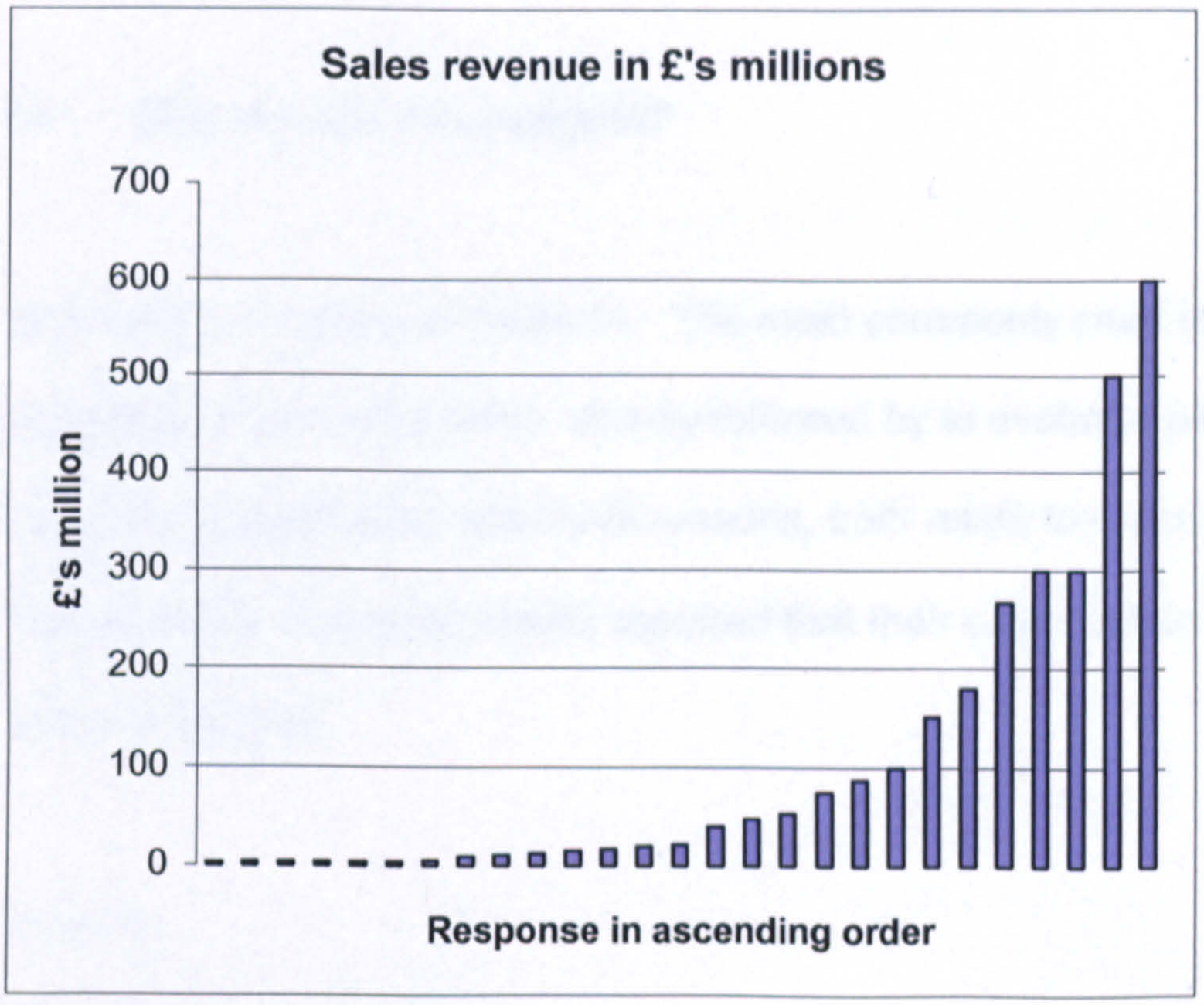
Estimated number of hotel bedrooms in the organization.

Number of bedrooms	<50	51-100	101-200	201-500	501-1,000	1,001-2,000	2,001-3,000	3,001-4,000	4,001-5,000	5,000 - 10,000	10,000+
Number of respondents:	2	0	6	3	3	4	1	0	1	3	8

Although four respondents chose not to disclose their annual sales revenue, the other twenty-seven respondents show their estimated annual sales revenues ranged from three million pounds to six-hundred million pounds, this is illustrated in Figure 3.

Figure 3

Annual sales *revenue in £'s millions*



The number of management levels from hotel management level to head office within the organization gives an indication of organizational structure and the levels where budgets will need to be agreed within an organization. Respondents were given an illustration of Head Office and Hotel level equalling two tiers, and Head Office, Area management and Hotel management equalling three tiers. Sixteen organizations reported two tiers, thirteen reported three tiers, with two reporting four tiers of management in the organization.

Results – Section A

The questions were arranged within subsections related to different aspects of budgeting, section A related to budget preparation and planning.

Summary results are shown for each question.

A1 Why do you use budgets?

The results are given in Table 51. The most commonly cited reason for budgeting was to aid control, closely followed by to evaluate performance. Two respondents cited additional reasons, both relate to external reporting requirements. No respondents reported that their organization does not produce budgets.

Table 51

Why do you use budgets?

Reason:	Number of respondents:
To aid control	31
To evaluate performance	30
To aid long-term planning	23
To aid short-term planning	22
To motivate mangers	20
To communicate plans	15
To co-ordinate the operation	14
Other (please specify)	➢Owner/franchiser requirement ➢Reporting method for bank

A2 What information do you use to assist you in setting budgets?

All respondents used the previous years actual figures to assist in setting budgets. The next most commonly cited information was in-house market analysis, closely followed by industry statistics/indicators and local economic indicators. Table 52 shows the summary results for this question.

Table 52

What information do you use to assist you in setting budgets?

Reason:	**Number of respondents:**
Previous years actual figures	31
In-house market analysis	24
Industry statistics/indicators	23
Local economic indicators	23
National economic indicators	18
Previous years budgeted figures	13
Other (please specify)	➢Strategic & marketing plans for development in the current year. ➢Current maintenance schedules ➢Contracts ➢Forward bookings * 2 respondents ➢Three year objectives and strategy

A3 Do you use a 'Top-down' or a 'Bottom-up' approach when setting budgets?

Eleven organizations reported using a 'bottom-up' approach, one of which stating it was largely 'bottom-up' but with central guidance up front. A further eight reported using a 'top-down' approach. Twelve organizations reported using a combination approach and were asked to explain this in more detail. Explanation of their combination approach included:

- Depending on department.
- First iteration will be bottom-up but there will be top-down feedback if the numbers do not fit the overall group picture.
- Growth goals completed in the spring and hotels are held to approved goals - % increase over financial year.
- Head office staff and the local general manager prepare the budgets jointly.
- Hopefully you get the commitment from managers and content of the long-range plan.
- Initial budget preparation by unit general managers, subject to review meeting, substantiation and adjustment as required.
- Managers produce draft budgets. These are discussed in detail with directors and adjusted as necessary.
- Overall target set top-down. Detail on how to meet it done bottom-up.
- Sent for approval from the unit initially to central – then negotiated!
- Top-down to define framework, bottom-up to prepare detail.
- Top-down to provide a benchmark & aspirational budget. Bottom-up at the business unit level.

A4 Do you ever use Zero-based budgeting?

Eighteen respondents reported they never use zero-based budgets and a further two respondents did not answer the question. The eleven who did use zero-based budgeting were asked to expand on when and how they used zero-based budgeting. Their responses included:

- All budgets are zero-based.
- Based on specific managers knowledge of the area in question.
- Costs always zero-based

- Last year is purely a guide, but not a benchmark, each area has to be justified on its own merits.
- New concepts
- New hotels *3 respondents
- One off basis *2 respondents
- Post any reorganization
- Specific projects

A5 For what time period do you set your short-term budgets?

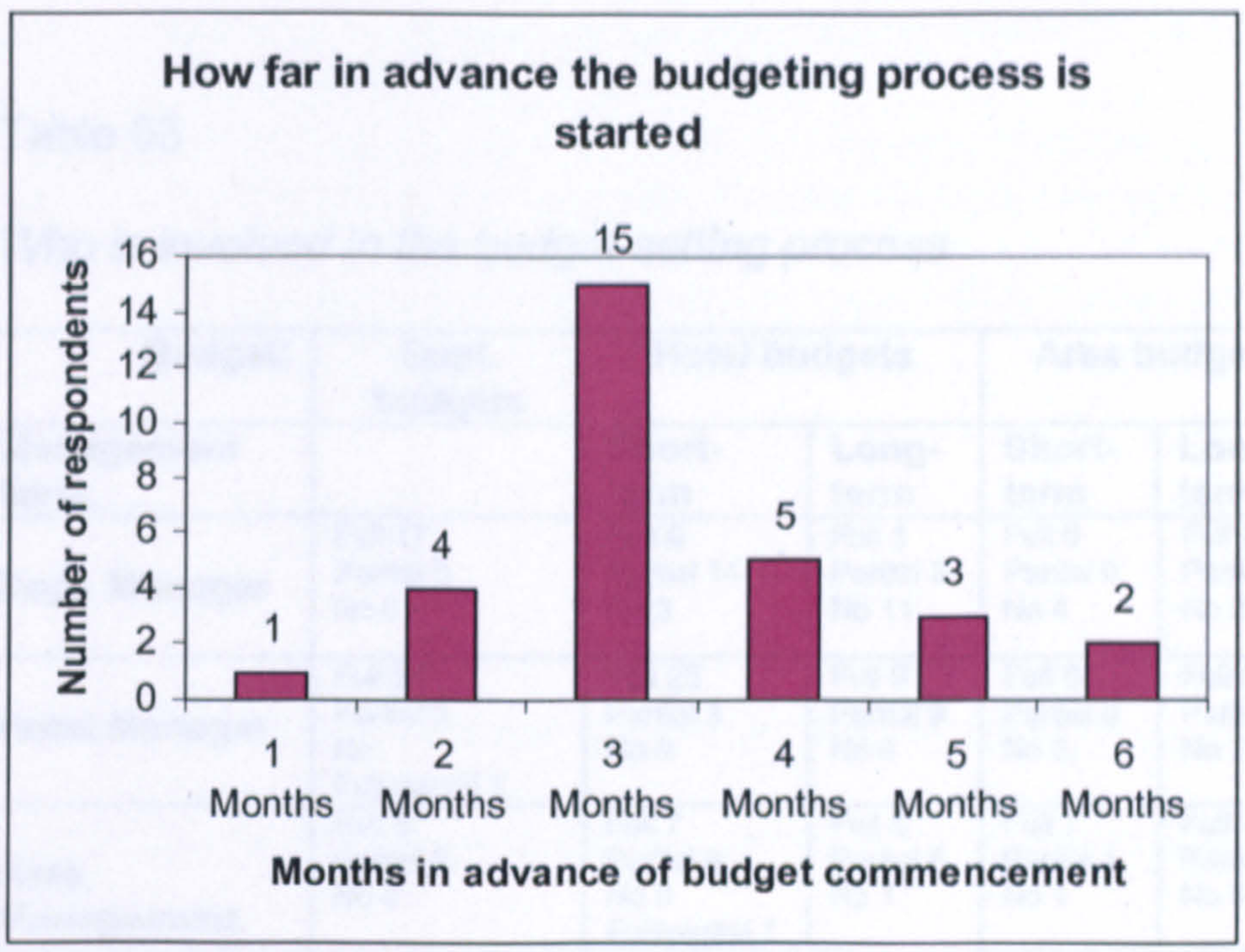
Twenty-nine respondents set their budgets for one financial year, with one organization using a six-month period and one using a rolling twelve-month period. One organization reported, although they currently used the financial year, they wished to move to a rolling period.

A6 How far in advance of the start of this budgetary period does the process start for short-term budgets?

One respondent chose not to answer this question. The most commonly cited period was three months in advance, cited by fifteen respondents, this is illustrated by Figure 4. It is interesting to note that size and complexity of the organization did not seem to impact on when the process was started.

Figure 4

How far in advance short-term budgets are started



A7 Who is involved in the preparation of budgets within your organization?

The final question within section A was a grid-based question. For each level of budget preparation they were asked to identify which levels of management were involved in the process and their level of involvement. For example; full involvement, partial involvement, no involvement, or budget / management level not applicable to this organization.

Not all participants answered this question and the use of 'no' and 'N/A' was used inconsistently between respondents. Not all organizations have all these levels of management. Two responses have not been included as they

were incorrectly completed. Table 53 illustrates a summary of answers to question A7.

Table 53

Who is involved in the budget setting process

Budget:	Dept. budgets	Hotel budgets		Area budgets		Organization budgets	
Management level:		**Short-term**	**Long-term**	**Short-term**	**Long-term**	**Short-term**	**Long-term**
Dept. Manager	Full 17 Partial 5 No 0	Full 6 Partial 14 No 3	Full 1 Partial 3 No 11	Full 0 Partial 0 No 4	Full 0 Partial 0 No 3	Full 0 Partial 1 No 7	Full 0 Partial 0 No 7
Hotel Manager	Full 21 Partial 3 No Full/partial 1	Full 25 Partial 3 No 0	Full 9 Partial 9 No 4	Full 0 Partial 0 No 3	Full 0 Partial 0 No 2	Full 1 Partial 0 No 7	Full 0 Partial 0 No 7
Area Management	Full 5 Partial 5 No 3	Full 7 Partial 8 No 0 Full/partial 1	Full 5 Partial 6 No 1	Full 7 Partial 1 No 1	Full 4 Partial 2 No 0	Full 2 Partial 2 No 1	Full 2 Partial 2 No 1
Head Office Management	Full 10 Partial 5 No 7 Full, for HO depts. only 1	Full 16 Partial 8 No 2	Full 17 Partial 5 No 2	Full 7 Partial 2 No 1	Full 6 Partial 3 No 1	Full 21 Partial 0 No 0 Full/partial 1	Full 19 Partial 0 No 0
(Other, please specify) Hotel Financial controller (1)		Full 1	Partial 1				
Directors (2)	Partial 2	Full 1 Partial 1	Full 1 No 1	Full 1	Full 1	Full 1	Full 1

At the end of section A respondents were asked to add any additional comment related to budgetary planning. Three respondents took the opportunity to added comments, two of which directly related to the previous question, A7. These comments are shown in Table 54.

Table 54

Comments added to Section A

➢	Budgets are supplemented with monthly forecasts, benchmarking statistics and long-term cash flow forecasts.
➢	The Managing Director is also the General Manager of our largest hotel.
➢	Hotel budgets are compiled by hotel General Manager, Financial Controller & Department managers and agreed by Managing Director / Area Manager. Corporate budgets completed by Head Office management. The two are combined to create group budget.

Results – Section B

Section B focused on what happened after the budgets had been set, budgetary monitoring and control, and review of the budgetary processes in place.

B1 Do you reforecast within the budgetary period?

Twenty-two respondents reported they did reforecast during the budgetary period, with nine not reforecasting. Of those that did reforecast fifteen did so monthly, six quarterly, one bi-annually and one weekly. This adds to twenty-three, as one organization reported reforecasting both monthly and quarterly.

B2 Do you set specific benchmarks for investigating budget versus actual performance?

One respondent did not answer this question, eight said no and twenty-two responded yes. Those responding yes were asked how these were expressed, some respondents ticked more than one box, and hence the total

comes to more than twenty-two. Three used '£'s, seven used a percentage, one a repeat of an adverse variance, twelve a combination of these and one reviewed any positive or negative variance.

B3 When significant variances are identified what action is taken and by whom?

This question required a short written response for each level of budget from Department to Organizational level budgets. Table 55 shows, for Departmental budgets, respondents reported action taken.

Table 55

Actions taken for variance at departmental budgets

➢	Analysis of past performance and proposed remedial action.
➢	Explanation of variance and what is being done to correct or compensate.
➢	Follow-up and agree action plan.
➢	General Manager discusses with Head of Department (*2 respondents)
➢	Heads - note issues/reason and provide an action plan.
➢	Head of Department takes corrective action.
➢	Hotel manager and controller follow through variances with department heads.
➢	Hotel evaluates and manages variance to ensure profitability is not adversely affected.
➢	If adverse, tighten control.
➢	Investigated at local level by General Manager
➢	Investigation and if appropriate changes made to reduce cost or justify expense.
➢	Investigation by accounts controller, Hotel Manager & Head of Department.
➢	Investigation by hotel General Manager & Department Manager (*4 respondents).
➢	Payroll, costs, and revenue reviewed, with action plan.
➢	Query and investigate from top-down.
➢	Receive monthly actual v. budget at management meetings for discussion.
➢	Variance is investigated to identify if it is likely to continue.

Table 56 shows what action is taken where the variance was identified at a hotel level.

Table 56

Actions taken for variance at hotel level

➢	Analysis of past performance and proposed remedial action.
➢	Area Director discusses with General Manager
➢	Area Manager discusses with Head Office & hotel General Manager.
➢	Budget lowered by Head Office management.
➢	Challenged centrally, investigated locally with corrective action as required.
➢	Explanation of variance and what is being done to correct or compensate it.
➢	Financial review meetings and an agreed action plan.
➢	Follow-up and an agree action plan.
➢	General Manager and Regional Director investigate.
➢	General Manager and Head of Department note issues/reason and provide an action plan.
➢	General Manager and Head of Department take corrective action.
➢	Hotel manager and controller follow through variances with department heads.
➢	Hotel to evaluate and manage variance to ensure profitability is not adversely affected.
➢	If adverse tighten control, plus look at success/failure of marketing strategy.
➢	Investigate and assess reasons for variance. Take action to rectify or detail reason to area management for variance.
➢	Investigate why.
➢	Investigation by accounts controller and hotel manager.
➢	Investigation by area manager, directors and general manager.
➢	Investigation by department manager and general manager.
➢	Investigation by General Manager and Finance dept.
➢	Investigation by hotel manager.
➢	Payroll, costs, and revenue reviewed, with action plan.
➢	Query and investigate from top-down.
➢	Receive monthly actual v. budget at management meetings.

Fewer responses were received related to area budgets, because not all organizations had this level within the organization, but results are summarized in Table 57.

Table 57

Actions taken for variance at area level

➢	Analysis of past performance and proposed remedial action.
➢	Area managers follow through variances with hotel managers.
➢	Explanation of variance and what is being done to correct or compensate.
➢	Finance director, operations director & regional director investigate.
➢	General Manger and Area Manager take corrective action.
➢	Managing Director discusses with Area Director.
➢	Query and investigate from top-down.
➢	Regional General Manager notes issues, reason and provide an action plan.

The final level respondents were asked to comment on was organizational level budgets and what action was taken when budget variances were identified. The comments are summarized in Table 58.

Table 58

Actions taken for variance at organizational level

➢	Analysed and reported on centrally.
➢	Analysis of past performance and proposed remedial action.
➢	Directors & accounts controller investigate.
➢	Do not know.
➢	Executive board follow through variances with area managers and area controllers.
➢	Finance director & operations director investigate.
➢	Investigation by directors and group accountant.
➢	Investigation by directors.
➢	PLC discusses with divisional Managing Director.
➢	Query and investigate from top-down.
➢	Reassess implication on group cash flow and take action to ensure business is managed accordingly.
➢	Senior head office manager and finance director investigation.
➢	Tighten control; look at overall strategy and market factors.

Other general comments added in response to question B3 included:

- Multi-skilled employees work together.
- Sales forecast tools are in place.

- Impossible to comment – too variable

B4 What role do budgets take in monitoring actual performance in your organization?

Seventeen reported it was the main indicator used and fourteen that is one of a few key indicators used. None reported budgets were little used as a performance measure.

B5 What performance measure comparisons are used within your organization?

Table 59 summarizes all responses to this question, many organizations cited a number of performance measures were used. Three additional performance measures were added within the 'others, please specify' option in the question.

Table 59

Performance measures used in organization

Performance measure used:	**Number of respondents:**
Previous years result	31
Budgeted figures	29
Inter-Hotel comparison	19
Reforecasted figures	18
Competitor comparison	17
Industry statistics	16
Set % of revenue	10
A balanced scorecard approach	5
Other, please specify	Return on investment Key Performance Indicators Traffic Light System

B6 Do you use flexible budgeting?

Twenty-four organizations did not use flexible budgets, whilst seven did. Respondents were asked to give a reason for their answer. Reasons for not using flexible budgets are summarized in Table 60.

Table 60

Reasons for not using flexible budgets

➢	Have not reached this point yet.
➢	Normally the budgets are accurate. The incremental profits from additional revenue are predictable.
➢	Not a format used at budget level.
➢	Not normal practice, but may be used on occasions such as 9-11 when previous years data cannot be used.
➢	Revenue is the base for all budgets.
➢	Too complex.
➢	Use flex as an understanding tool but not a budget tool.
➢	Weekly forecast sufficient to control business.

The reasons for using flexible budgets are shown in Table 61.

Table 61

Reasons for using flexible budgets

➢	Like for like year on year.
➢	Monitors margin control.
➢	Substantial costs are based on % of actual turnover.
➢	The budget does not change but the forecast may change to keep within budget guidelines i.e. sales per man-hour, cover ratio, etc.
➢	Used for incremental conversions as essential to understanding.
➢	Used to monitor variable costs BUT original budget still stands.

B7 Are your budgetary planning and control procedures ever reviewed or changed?

Fifteen stated they were reviewed, but infrequently, ten reported they were reviewed on a routine basis, whilst six were not aware they were reviewed in their organization. Of those reviewing the process five did so annually, one was on an on-going basis and one reported doing so weekly.

Those that did review their processes were asked who was involved in the process. Many positions were identified, most commonly cited however was the Finance Director, reported by twelve organizations. Table 62 lists all those stated.

Table 62

Who was involved in review

➢	Accounts Controller
➢	Chief Operating Managers *4
➢	Commercial Finance Manager
➢	Executive Management *4
➢	Finance Director *12
➢	Financial Controller
➢	General Manager *2
➢	Managing Director *4
➢	Planning Department
➢	Reporting Manager

Respondents that had reviewed their processes were asked what changes had been made due to review. There was no consensus, with few organizations reporting the same changes were made. Changes made due to review are shown in Table 63.

Table 63

Changes made following review

➢	Different targets set.
➢	Format *2.
➢	Information requirements.
➢	Key performance indicators.
➢	Method of compiling budget.
➢	More concise instructions.
➢	Timing *2.
➢	Tools used.
➢	Validation process.
➢	Various changes made.

B8 Do your formal budgetary planning and control procedures include the use of a budget committee or budget manuals?

Six respondents reported the use of budget committees and six reported using budget manuals. However, this included only two organizations that used both budget committees and budget manuals.

Respondents were then asked if they had any additional comments, related to Section B, all comments made were directed as additional comments to question B8 and included:

- After budgets are put together by hotel the group operations director, sales director and group financial controller review them. Final review by managing director and deputy chairman. Then presented to chairman and bank.
- No budget manual, but have guidelines and instructions.
- The budget committee is the Finance Director, Managing Director & Operations Director.
- The size of the organization does not require a budget committee or manual.

Results – Section C

This section related to human aspects of budgeting. The section gave six statements in a grid format for respondents to comment on. All respondents answered all six questions. Table 64 summarizes how many responded on a scale of 'strongly agree' to 'strongly disagree'.

Table 64

Section C responses, by question

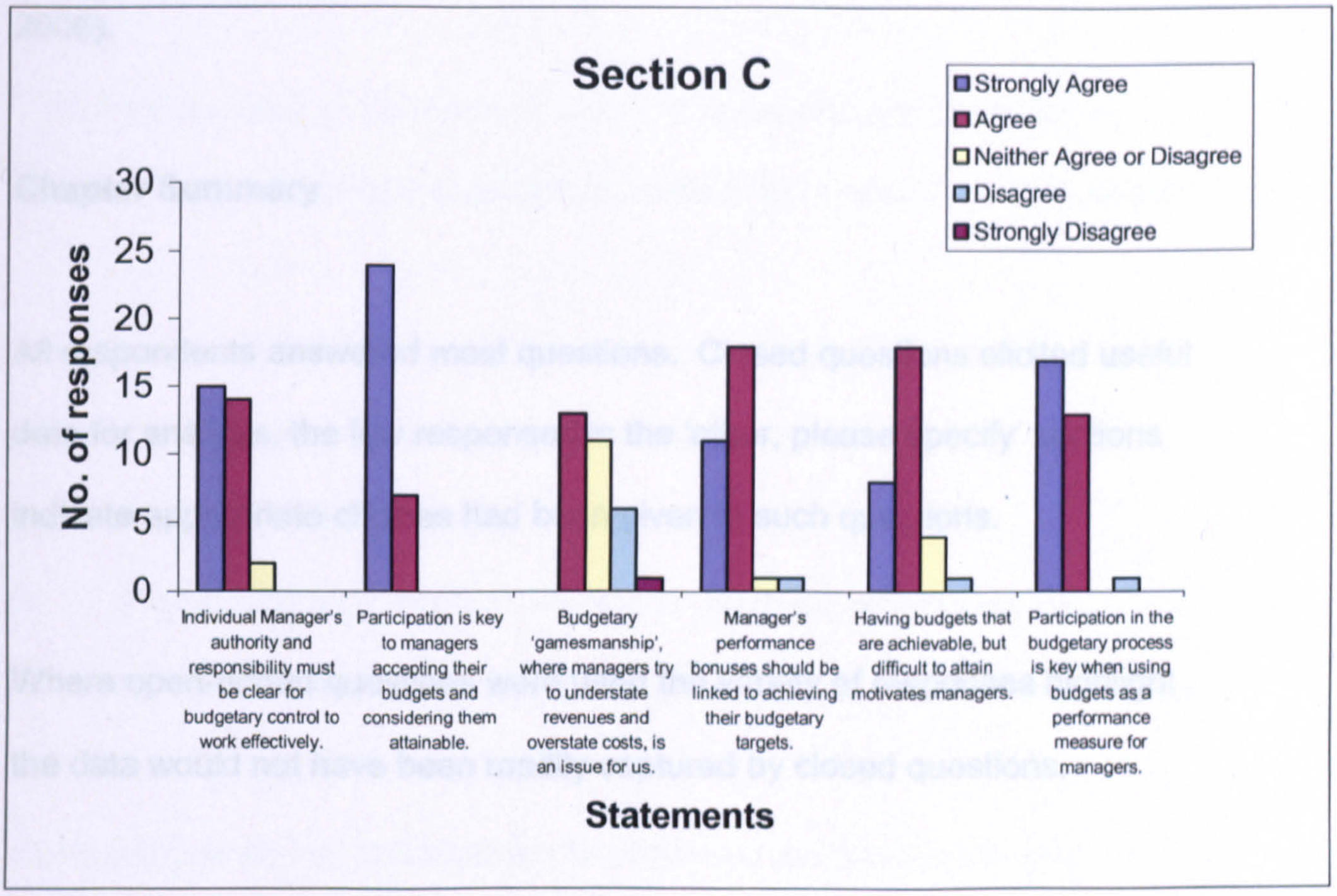
	Statement:	1 Strongly Agree	2 Agree	3 Neither Agree or Disagree	4 Disagree	5 Strongly Disagree
C1.	Individual Manager's authority and responsibility must be clear for budgetary control to work effectively.	15	14	2	0	0
C2.	Participation is key to managers accepting their budgets and considering them attainable.	24	7	0	0	0
C3.	Budgetary 'gamesmanship', where managers try to understate revenues and overstate costs, is an issue for us.	0	13	11	6	1
C4.	Manager's performance bonuses should be linked to achieving their budgetary targets.	11	18	1	1	0
C5.	Having budgets that are achievable, but difficult to attain motivates managers.	8	18	4	1	0
C6.	Participation in the budgetary process is key when using budgets as a performance measure for managers.	17	13	0	1	0

The overall picture is also illustrated by Figure 5. Two additional comments were added in relation to C4. Whilst agreeing that a, 'Manager's performance bonuses should be linked to achieving their budgetary targets' one respondent added, 'but not totally'. Another agreed, within reason but

felt you must take account of external forces, such as war, weather, and terrorism.

Figure 5

Summary of responses to Section C



Executive Summary and Publication of Results

Respondents were offered a summary of the results from the survey. Of the thirty-one organizations that took part, twenty-one requested a copy of the results. These were sent out to the organizations concerned on 19th July 2004. Appendix 8 gives a copy of the executive summary sent. It was taken as an opportunity to thank respondents for taking part and as an additional opportunity to recruit volunteers willing to be further involved in the study.

As part of the BAHA agreed endorsement of the survey, an article including summary results was published in their monthly publication, BAHA Times (Jones 2004). Summary results have also subsequently been published as part of a book chapter concerning budgetary practice within hospitality (Jones 2006).

Chapter Summary

All respondents answered most questions. Closed questions elicited useful data for analysis, the few responses in the 'other, please specify' sections indicate appropriate choices had been given to such questions.

Where open-ended questions were used the variety of responses highlight the data would not have been readily captured by closed questions.

The results are statistically analysed and reviewed against content analysis and previous survey data within Chapter 10.

Chapter 10 Hospitality Industry Budgetary Practice – Survey analysis

Introduction

The third objective of this research is to: '*to analyse current practice in relation to theory from the data collated within the previous two objectives'.*

The purpose of this survey was to establish current industry practice. In analysing the results the survey data results are compared to:

- Content analysis results;
- Previous survey research applied to hospitality budgeting; and
- Previous research into budgeting, as identified in the literature review.

Such analysis should establish any unanswered questions that need addressing through the subsequent qualitative phase of research. Gaps between established 'normative' theory and industry practice should also be identified.

Elements of budgetary theory commonly or infrequently used within the hotel industry are highlighted through the survey results. This analysis provides the first detailed insight into budgetary practices in UK hotel organizations. The only previous survey work in the UK to focus specifically on hospitality budgeting (Jones 1997b, 1997c, 1997d, 1998) was a preliminary study in

advance of this research project and the majority of results were unpublished. Published survey research findings (Jones 2004, 2006) relate specifically to this current study.

As identified in the literature review, previous research concerning budgetary practices within hotel organizations is limited by a number of factors. They either; focus on a specific aspect of budgeting only (DeFranco 1997, Kosturakis 1979); cover some aspects of budgeting, as part of a broader survey of management accounting techniques, (Collier & Gregory 1995a, 1995b, Graham & Harris 1999); cover some aspects of budgeting as part of performance measurement research (Brignall et al 1992); are restricted to survey work with a limited number of establishments (Brignall et al 1992, Collier & Gregory 1995b, Graham & Harris 1999); or are applied to the hospitality industry outside the UK (Schmidgall & Ninemeier 1986, 1987, Schimidgall, Borchgrevink & Zahl-Begnum 1996, Schmidgall & DeFranco 1998). This research analysis therefore provides an invaluable insight into budgeting in the UK hotel industry.

Statistical Analysis Tools Used

As previously identified, this survey is considered small, and as such statistical analysis should be kept simple (Denscombe 2003). Various statistical analysis tools have been used to assist in the analysis. These include:

- Chi-square tests;

- Spearman's Rank Coefficient; and
- ANOVA.

The role of statistical tools in data analysis and justification for the use of chi-square test was fully discussed in Chapter 7 and equally applies within this chapter. In this chapter chi-square tests are used to identify the significance of results. Statistically significant chi-square tests will identify aspects that can be considered industry practice and those that are not industry practice. Chi-square tests that are not statistically significant will identify there is generally not a common response from those surveyed.

Such chi-square testing will allow some questions to be compared adequately to draw a comparison between 'normative' theory and industry practice. In other situations, further or alternative statistical testing has been considered necessary, alongside qualitative consideration of some responses.

Where such additional or alternative testing is considered appropriate, this is argued in the discussion related to the results of the specific question.

Survey Analysis

A1 Why do you use budgets?

With statistically significant chi-square tests, as shown in Table 65, it can be said that respondents generally agree that budgets are produced to: aid control, evaluate performance, aid long-term planning, and to aid short-term planning. Whilst planning was not split into 'short' and 'long term' within textbooks, it is interesting to note this matches the three aspects found to be 'normative' from the content analysis.

The three aspects not showing significant chi-square results, to: motivate managers, communicate plans, and coordinate the operation, also proved not significant in the content analysis results.

Table 65

Reasons for budgeting chi-square results

Reason:	Chi-square:	Significance
To aid control	31.00	Significant
To evaluate performance	27.13	Significant
To aid long-term planning	7.26	Significant
To aid short-term planning	5.45	Significant
To motivate mangers	2.61	Not significant
To communicate plans	0.03	Not significant
To co-ordinate the operation	0.29	Not significant

Whilst the chi-square tests results match for 'normative' theory and hospitality industry practice, they can also be ranked in order of 'most commonly cited' reasons for budgeting. Table 66 illustrates the rank order of reasons for

budgeting from the content analysis and UK hospitality industry surveys in 1997 and 2004. In order to consider the relationship between these, a Spearman's Rank Coefficient has been calculated.

The results of this test will gauge the 'strength' of relationship between two sets of data. For example, 'is there a strong relationship between the data from the two industry surveys' and 'is there a strong relationship between the content analysis most commonly cited reasons from the industry data?'

Table 66

Most commonly cited reasons for budgeting

Reason:	**2004 Survey**	**1997 Survey**	**Content analysis**
To aid control	1st	2nd	3rd
To evaluate performance	2nd	1st	5th
To aid long-term planning*	3rd	4th	1st*
To aid short-term planning*	4th	5th	1st*
To motivate mangers	5th	3rd	6th
To communicate plans	6th	6th	7th
To co-ordinate the operation	7th	7th	4th

* Not split in content analysis results

The results of the correlation tests were interesting. When considering the two sets of industry data, 1997 and 2004 a correlation coefficient of 0.86 was achieved, with an R^2 of 73% and a critical value of 0.62. This shows there is a significant correlation between the two sets of industry data, over a seven-year period. However when either set of industry data is correlated against the content analysis results the correlation is low (2004, 0.44 and 1997, 0.04), giving R^2 of 19% and 0% respectively. This identifies there is not a

significant correlation between the most commonly cited reasons for budgeting in the content analysis and within industry.

So whilst chi-squares give part of the picture, correlation shows a difference in what is most commonly cited by industry and content analysis results. The key difference is the importance placed on budgeting's role in aiding planning. Within textbooks this is the most commonly cited reason for budgeting, but within industry budgets' roles in aiding control and evaluating performance are more commonly cited.

The role of budgetary planning within industry needs further qualitative investigation. Other key hospitality industry surveys, previously mentioned, by Schmidgall & Ninemeier (1986, 1987, 1989) and Schmidgall, Borchgrevink & Zahl-Begnum (1996) did not report respondents' reasons for budgeting, so comparison cannot be made to these studies. Kosturakis and Eyster's (1979) study of fifteen small USA based hotels identified budgets as a tool to 'measure and compare', as the most commonly cited feature, with planning being of lower importance. More recently, Schmidgall and DeFranco (1998) concluded the major reason for budgeting in USA based hotels was for comparison of budget to actual results, with planning being the second most common reason.

Whilst Dugdale and Lyne's (2004) survey of commercial companies in the Southwest of England was not hospitality industry focused, it is interesting to note that they concluded performance evaluation, control, and planning were

considered the core reasons for budgeting in the companies they surveyed. This equates to the top three most commonly cited reasons in this current hospitality applied survey. They also cite coordination, communication and motivating managers as reasons for budgeting, but identify these as secondary reasons within companies surveyed, due to a mixed response from companies. This supports the 'not significant' results identified for these reasons for budgeting within the hospitality industry.

Lyne's (1988) survey of medium and large companies identified motivation and communication amongst the least important reasons for budgeting.

A2 What information do you use to assist you in setting budgets?

This is a topic only touched on within textbooks. Drury (1992) does not identify a single base, but lists past data, information from head office and standard costing as examples. Drury (1992) identifies the state of the economy, customer demand, estimated growth rates and market research as aspects to assist in setting the sales budget. However, he also notes detailed sales forecasting is outside the scope of his textbook. Whilst textbooks do not covered this topic in any detailed, it has been considered in previous hospitality industry surveys by Schmidgall & Ninemeier (1987), Schmidgall, Borchgrevink & Zahl-Begnum (1996) and Jones (1997d).

The notion of using the previous year's budget as the starting point for budget setting is emphasized by Fred Pryors Seminars (1990) in their

seminar on how to develop a budget. The opportunity was taken to identify the information currently used for this purpose by respondents in this hospitality-based survey.

Table 67 identifies significant chi-square results for the first four areas, which can therefore be considered norms for those surveyed.

Table 67

Information used to assist in setting budgets

Information used:	**Chi-square:**	**Significance?**
Previous years actual results	31.00	Significant
In-house market analysis	9.32	Significant
Industry statistics/indicators	7.26	Significant
Local economic indicators	7.26	Significant
National economic indicators	0.81	Not significant
Previous years budgeted figures	0.81	Not significant

The number of organizations using 'previous years actual results', 'in-house market analysis', 'industry statistics/indicators' and 'local economic indicators' to assist with setting budgets in the hospitality industry are significant. The use of 'national economic indicators' and 'previous years budgeted figures' do not however give a significant result, as their usage is mixed within those surveyed.

It is interesting to note in previous hospitality industry based surveys that 'historic operating data'/'previous years actual results' is always the most commonly cited information used in setting budgets. The importance of this information in hospitality industry surveys is shown in Table 68.

Table 68

Comparison to previous Hospitality industry surveys

Most commonly cited information used for setting budgets	**% of those in survey***	**Source:**
Previous years actual data	100%	UK 2004 –current survey
Historical operating data	97%	USA (Schmidgall & Ninemeier 1987)
Previous years actual data	95%	UK 1997 (Jones 1997d unpublished)
Historical operating data	91%	USA (Schmidgall, Borchgrevink & Zahl-Begnum 1996)
Historical operating data	89%	Scandinavia (Schmidgall, Borchgrevink & Zahl-Begnum 1996)

* Whilst % is not generally used in small-scale research it is used here for ease of comparison between surveys with different numbers of respondents.

'Local economic indicators' also features prominently in each of the past surveys, with the 74% for this current survey equalling the 74% identified in the USA in 1996 (Schmidgall, Borchgrevink & Zahl-Begnum 1996), with 73% reported in the USA in 1987 (Schmidgall & Ninemeier 1987). What is interesting to note is the shift in the order of factors between the UK based surveys of 2004 and 1997.

Using a Spearman's rank coefficient on the two sets of industry data, (1997 and 2004) a correlation coefficient of 0.57 was achieved, with an R^2 of 33% and a critical value of 0.62. This shows there is not a significant correlation between the two sets of industry data. The key change, which has led to this has been the relative importance given to local, as opposed national economic indicators. In 1997 national economic indicators were the second most commonly cited information used in setting budgets, by 2004 this had

moved to fifth place. Likewise, the importance in local economic indicators increased from fifth place in 1997 to third place in 2004.

It is interesting to note that whilst previous years budgeted figures have remained in sixth place in 1997 and 2004, and is not statistically significant using a chi-square test, it was used by 40% and 42% respectively of those surveyed. This will be followed up in the qualitative phase of the research.

A3 Do you use a 'Top-down' or a 'Bottom-up' approach when setting budgets?

This was discussed within the budget preparation sections of textbooks. As previously discussed in the content analysis section, the bottom-up approach is advocated as being more participative, thereby encouraging increased ownership and commitment from lower level managers.

The results of this survey did not prove statistically significant in a chi-square test as top-down, bottom-up, and combination approaches were all used amongst those surveyed in industry. These results can be compared to data from other hospitality surveys, as summarized in Table 69.

Table 69

Approach to budgeting in hospitality applied surveys

	UK (Jones 2004)	**UK** (Jones 1997d)	**USA** (Schmidgall & Ninemeier 1987)	**USA** (Schmidgall, Borchgrevink & Zahl-Begnum. 1996)	**Scandinavia** (Schmidgall, Borchgrevink & Zahl-Begnum, 1996)
Top-Down	26%	14%	13%	5%	4%
Bottom-Up	36%	55%	57%	80%	64%
Combination	39%	32%	27%	16%	28%
Other	0%	0%	3%	0%	4%

Whilst the number using a top-down approach is below those using a bottom-up or combination approach in each of these surveys it is at its highest with the UK based surveys. It would seem that the traditional top-down approach to budgeting, whilst still in the minority is increasing within the UK, whilst decreasing with the USA. Collier and Gregory (1995b) touched upon this subject in their review of management accounting practices in hotels, but within their six case studies they did not report any usage of a strict top-down or bottom-up approach to budgeting.

Although in the current survey the 'bottom-up' approach seems at its lowest within the UK, detailed consideration needs to be given to those reporting the use of a combination approach. Such respondents were asked to explain what they meant by a combination approach - Chapter 9 detailed these responses fully. Some of these responses show a true combination approach, with the approach varying by the department concerned, or hotel and head office management sitting down to produce budgets together. However some that consider their approach to be a combination approach

are actually using a bottom-up approach. Drury (1992) emphasizes the difference between budget preparation needing to be bottom-up, but budget approval being top-down, related to overall company strategy and objectives. Some of those that cite a combination approach are in fact preparing budgets using a bottom-up approach, but senior managers provide this overall guidance and framework for individual budgets. Setting such strategic benchmarks, top-down overview, organizational targets and feeding back to lower level managers, as stated by some respondents, are all part of a bottom-up approach to budgeting.

Why the bottom-up approach is shown to be less used within the UK hospitality industry will be followed up in the qualitative phase of this research, particularly in relation to the response in section C, concerning the importance of participation in the budgeting process.

A4 Do you ever use zero-based budgeting?

Within the content analysis the results showed zero-based budgeting to be 'probably not normative'. The results from the industry survey are similar, with a not significant chi-test result, but with less organizations using it than not. Of those organizations that did use it in the hospitality industry, few reported routine use of the technique with only one organization reporting all budgets were zero based. The majority that had used zero based budgets had done so in a specific 'one-off' situation, for example with new concepts, specific projects, new hotels or post reorganization.

Whilst Schmidgall, Borchgrevink & Zahl-Begnum (1996) asked respondents if they used zero based budgeting, they did not ask for further information as to how it was used, so it is difficult to draw comparisons to this study. With the exception of Jones (1997d), other surveys reviewed do not consider zero-based budgeting.

In his survey of Chartered Institute of Management Accountants (CIMA) members, Dugdale (1994) suggests zero-based budgeting is taught as part of theory to students, but is shown to be not widely used in practice.

Whilst there appears to be similar results between established 'normative theory' and hospitality industry practice, the lack of survey data in this area identifies a need to follow this up in the qualitative phase of this research.

A5 For what time period do you set your short-term budgets?

With only two organizations in the survey not producing budgets for a fixed twelve-month period the results to the chi-square test prove statistically significant. It can therefore be considered an industry norm to prepare budgets for a fixed twelve-month period. This view is also supported by the previous survey results by Jones (1997d) and Collier and Gregory (1995b).

Discussion of the budgeting period was considered normative in the content analysis. Although textbooks that covered the subject generally viewed the

twelve-month fixed period as the most common, they did not advocate a specific time period as being more or less appropriate and discussed the merits of the alternatives available.

This topic was not covered in other hotel industry surveys, perhaps due to an assumption that this was the norm. This view is supported by these surveys considering how far in advance of the 'financial year' budgets are started, assuming budgets are prepared for a whole financial year at a time. Puxty and Lyall (1989) in their UK based study reported 99% of companies used a fixed twelve month period.

A6 How far in advance of the start of this budgetary period does the process start for short-term budgets?

With a significant chi-square test result, half of those surveyed started budget preparation three months in advance of the budget. This can be viewed as normative hospitality industry practice for those surveyed.

The comparison to other hospitality surveys is shown in Table 70. Using a Spearman rank coefficient there is a correlation between the UK data for 2004 and 1997 (correlation coefficient 0.71, critical value 0.62, R^2 51%).

Table 70

How far in advance budgets are started

	UK (Jones 2004)	**UK** (Jones 1997d)	**USA** (Schmidgall & Ninemeier 1987)	**USA** (Schmidgall, Borchgrevink & Zahl-Begnum. 1996)	**Scandinavia** (Schmidgall, Borchgrevink & Zahl-Begnum, 1996)
One month	3%	7%	Published statistical data was incomplete for this study	0%	9%
Two months	13%	16%		2%	13%
Three months	48%	26%		20%	35%
Four months	16%	33%		29%	20%
Five months	10%	5%	27% (most common)	28%	16%
Six months	7%	7%	20%	18%	7%

Whilst it is difficult to draw conclusions from relatively small surveys, a pattern of a shortening period seems evident. In the UK the most common period has moved from four months to three months between 1997 and 2004. In the USA the most commonly cited period has moved from five months to four months between 1987 and 1996.

In contrast, Dugdale and Lyne's (2004) survey, not hospitality related, reported a typical starting point of four to six months in advance.

The data was further analysed to identify if there was any correlation between how far in advance the budgets were started and the structure or size of the organization. This showed there was not a strong correlation between when the budget was started and either, the layers in the management structure, the number of hotels operated, or sales revenue.

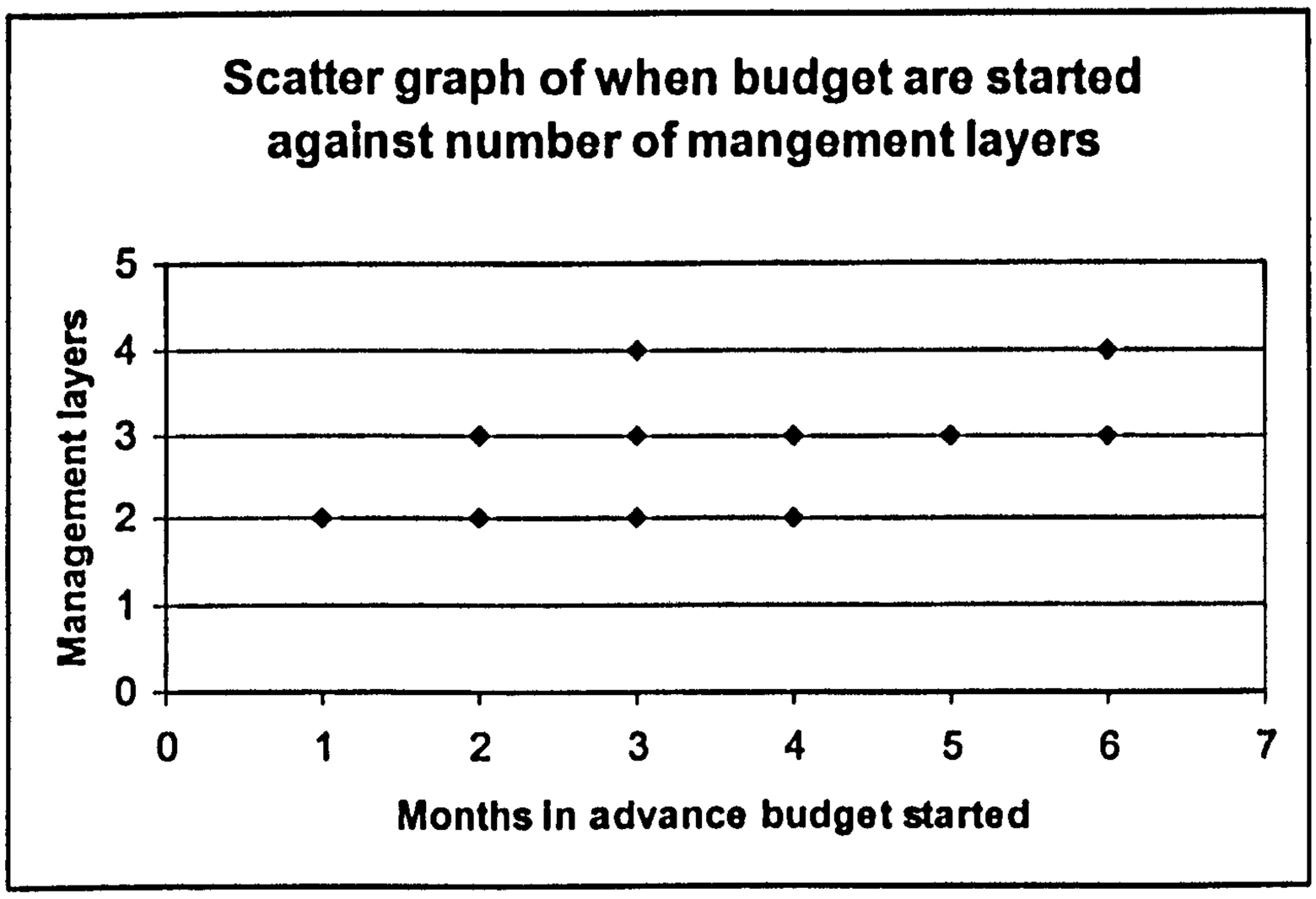
Additionally ANOVA was undertaken on this data, which showed one group mean was significantly different. However, this was judged not to be significant, because the ANOVA assumes a population with a normal distribution and is an analysis of variance on that basis.

As months in advance of the budget ranged from one to six, management layers in the organization ranged from two to four, number of establishments from one to three hundred plus, and sales revenue from £3.5 million to £600 million ANOVA results were not deemed reliable.

Figures 6 to 8 give a pictorial representation of the situation. Figure 6 shows that, whilst it could be stated those that start the furthest in advance have a tendency to be those with most management layers and those that start closest to the budgeting period have the least management layers, the picture for the majority of organizations in the middle area (two to four months) is less clear. Schmidgall & Ninemeier (1987) found there was a link between when budgets were started and corporate levels within USA hotel chains.

Figure 6

When budgets are started against organization management layers



Likewise Figure 7 shows an operation that starts six months in advance operates the largest number of hotels and the hotel that starts one month in advance operates just two establishments. However those that start budgeting three months in advance range from those operating one hotel to those operating over three hundred, highlighting there is not a clear link between when budgets are started and the number of hotels operated.

Figure 7

When budgets are started against number of establishments operated

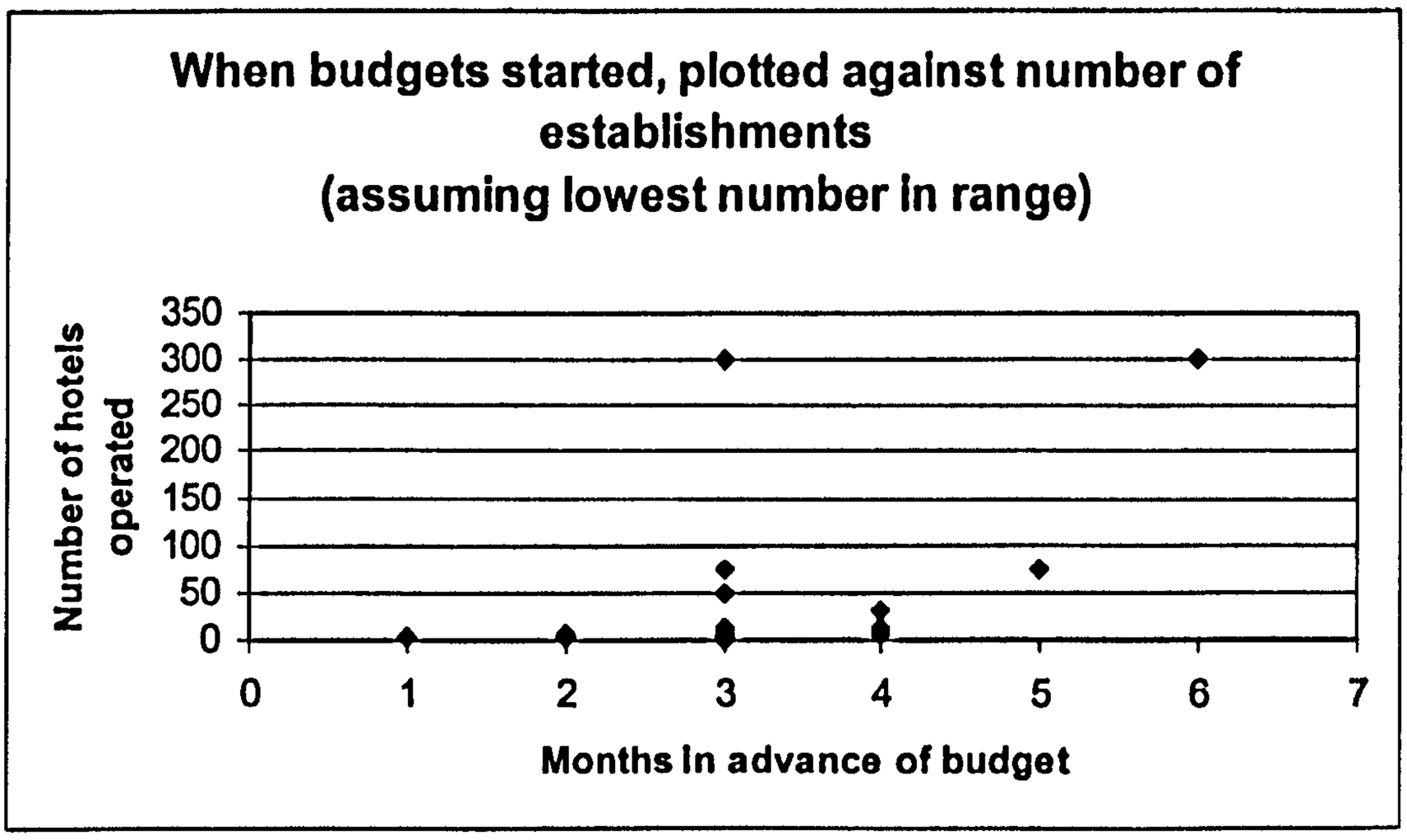
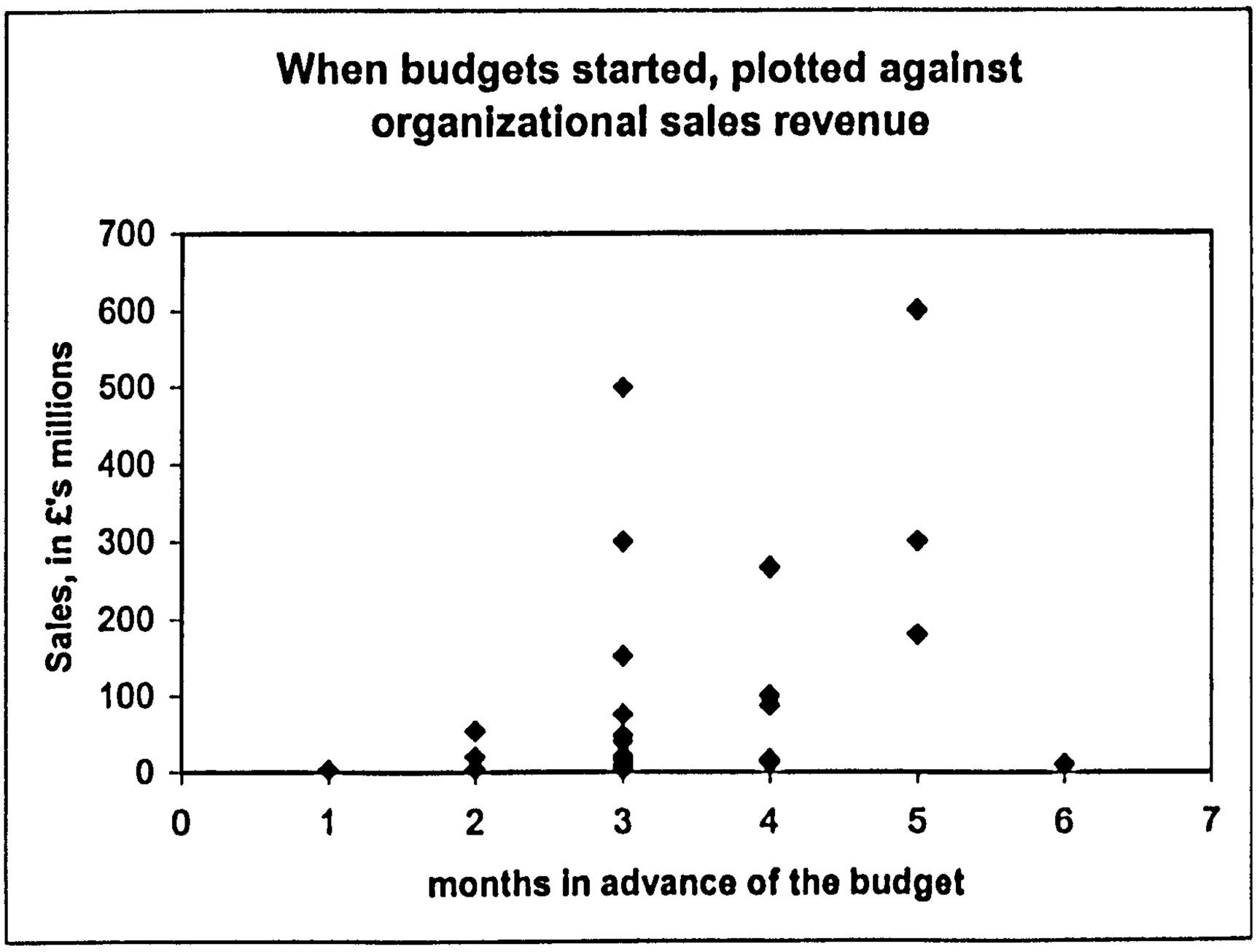


Figure 8 illustrates it could be stated that all those with sales revenue of over £55million start budgeting at least three months in advance of the budget period. However those at the lower end, up to £13million sales revenue, vary from those that start one month in advance to those that start six months in advance of the budget period, indicating there is not a link between these two areas. Schmidgall & Ninemeier (1987) also found no link between sales and length of budgetary preparation in USA hotel chains.

Figure 8

When budgets are started against organizational sales revenue



Textbooks state the range of time usually taken to prepare budgets, the above indicates the hospitality industry practice, but there is no statistical link between when budgets are started and the other factors identified here. The reason why budgets are started when they are, will be further explored in the qualitative phase of this research.

A7 Who is involved in the preparation of budgets within your organization?

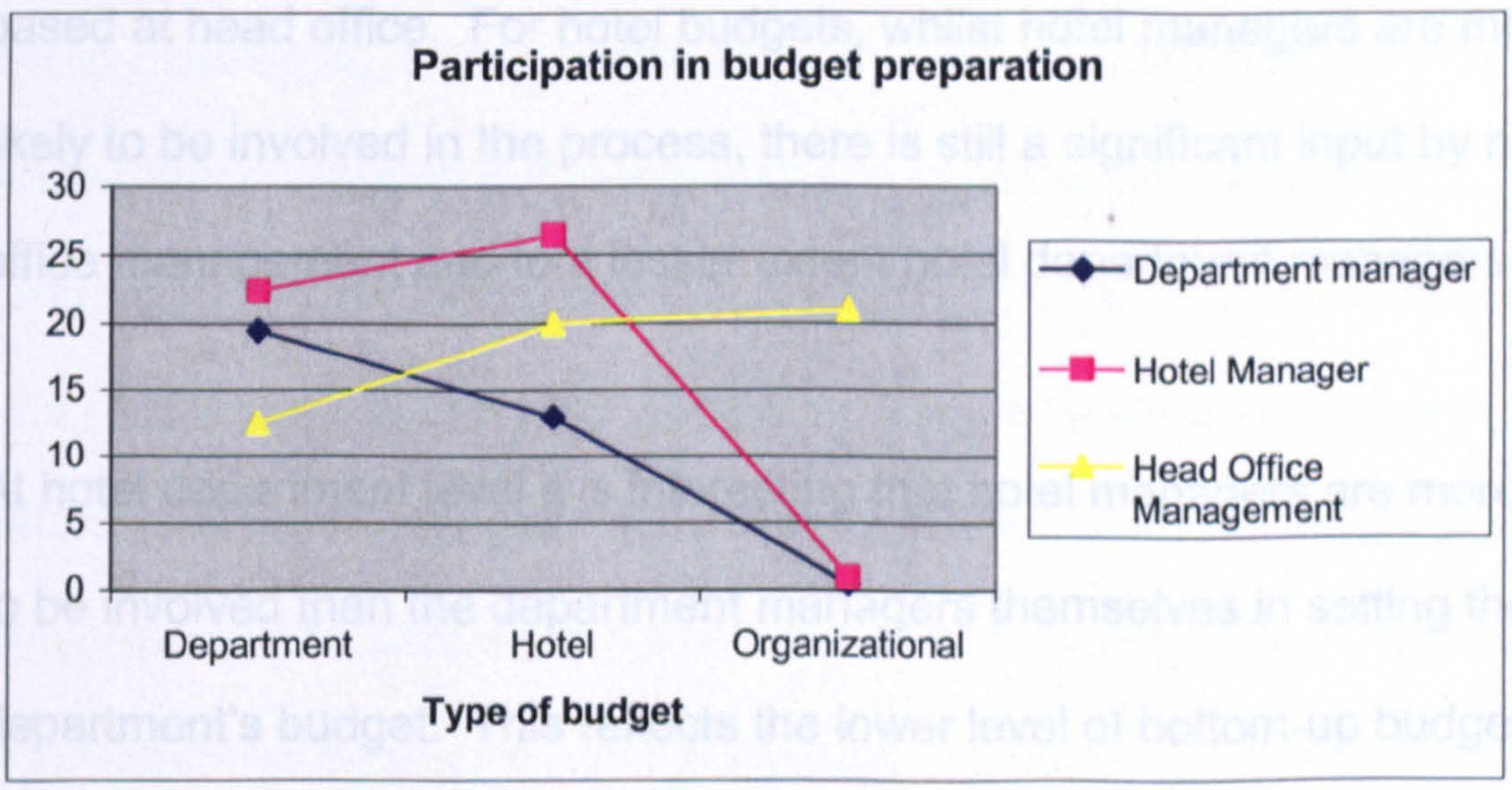
As previously noted, this question was a complex grid, with not all sections relevant to all organizations. The purpose of the question was to gain

understanding as to who is involved in budgeting for different level of budgets and at differing management levels within the structure.

Due to little response related to long-term budgets and area level budgeting, the analysis focused on who was involved in short-term budget preparation for department, unit and organizational budgets. The results have been weighted, to make allowance for those that were 'fully involved' representing more than those that were 'partially involved'. When charting the results each respondent fully involved has been counted as one, whilst partial involvement has been given a nominal value of a half. Figure 9 summarizes this information.

Figure 9

Who is involved in budget preparation



As you might expect, managers are more likely to participate in budgets at their own level than at other levels. For example, head office based managers are more likely to be involved in organizational budgets, than

budgets for individual hotels, or hotel based departments. Likewise, department managers are more likely to be involved in setting budgets for their own department than hotel or organizational budgets.

Whilst this question was in section A, as it related to budget preparation, it gives an interesting insight into the human aspects of budgeting and is further discussed in section C, when considering participation in the budgeting process.

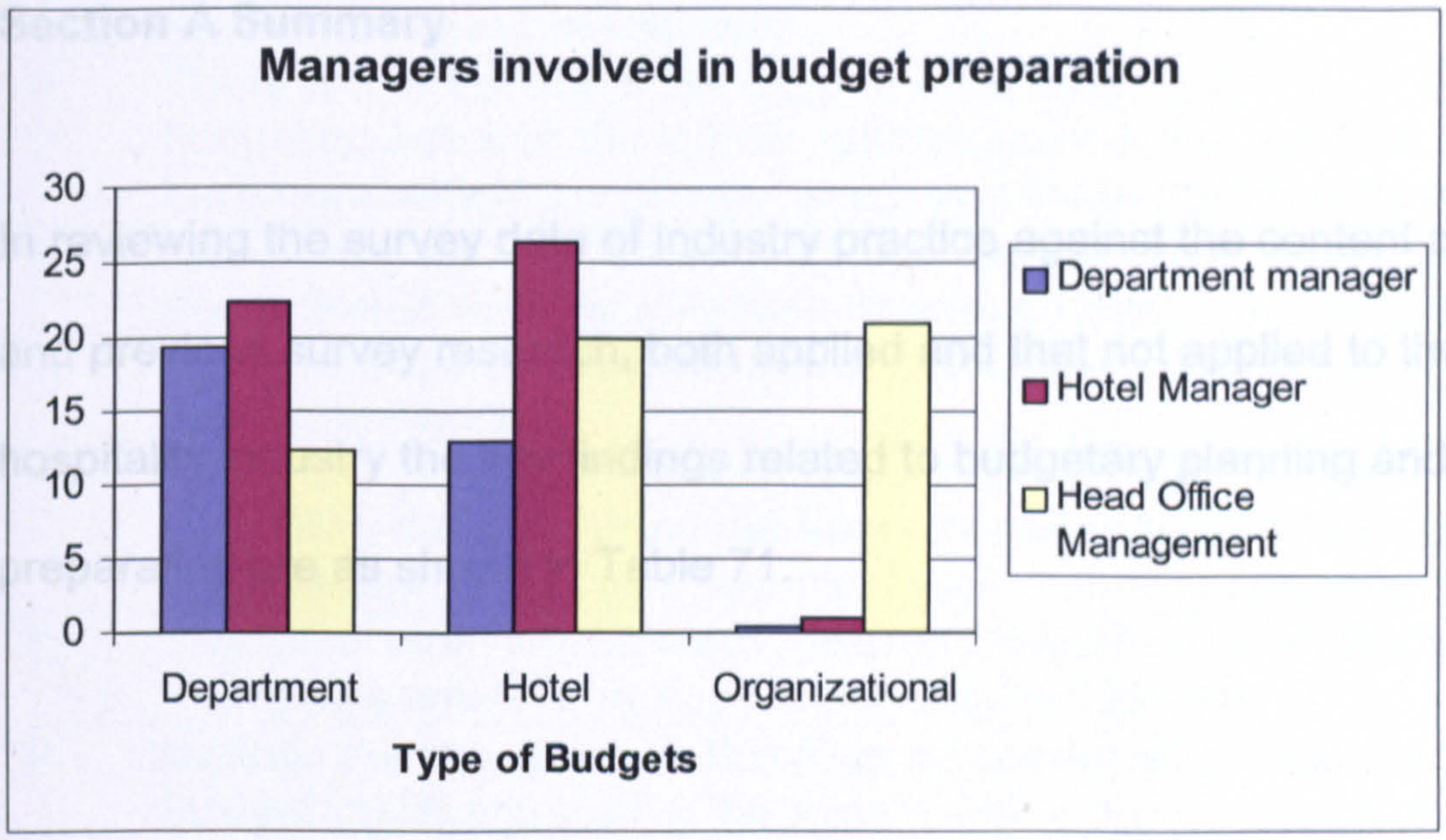
Figure 10 identifies an interesting pattern as to who is involved in budgeting at each level of the organization. Head office management have a high level of involvement in budget setting throughout the organization, with many being involved down to hotel department level. There is very little involvement in the preparation of organizational budgets by managers not based at head office. For hotel budgets, whilst hotel managers are most likely to be involved in the process, there is still a significant input by head office management and to a lesser extent hotel department managers.

At hotel department level it is interesting that hotel managers are more likely to be involved than the department managers themselves in setting their department's budget. This reflects the lower level of bottom-up budgeting and the higher proportion of top-down budgeting compared to other survey data. Only in a bottom-up approach would you expect full participation by the department manager in the budget preparation process. It could also be argued that this shows a pattern that managers are more likely to be involved

in budgeting at their own level and downwards, as opposed to higher up in the organization.

Figure 10

Managers involved in budget preparation



Whilst Schmidgall, Borchgrevink and Zahl-Begnum (1996) provide details on the number of department heads and general managers who provide information for the preparation of the budget, they do not identify managers who are involved in the budget setting process and whether they were fully or partially involved in the process in their publishes findings. Schmidgall and Ninemeier (1987) also did not cover this aspect, making this survey a significant new insight into who is involved in budgeting within hotels.

Within the content analysis the secondary code 'influence of participation in the budget process' was considered 'probably normative', with the primary code, 'participation in the budgeting and standard setting process' being part

of normative theory. The survey results also show a high level of participation in the budget preparation process, but in viewing the results by management level a difference in the participation level can be seen between levels of management in organizations.

Section A Summary

In reviewing the survey data of industry practice against the content analysis and previous survey research, both applied and that not applied to the hospitality industry the key findings related to budgetary planning and preparation are as shown in Table 71.

Table 71

Key findings concerning budgetary planning and preparation

➢	Industry practice is statistically significant that **budgets are produced to; aid control, evaluate performance, aid long-term planning, and to aid short-term planning**. This supports the content analysis findings that to; aid control, evaluate performance, and aid planning are normative within textbooks.
➢	There is a difference in the order of most commonly cited reasons for budgeting between the industry survey and content analysis, with **textbooks placing a greater emphasis on budgetary planning**.
➢	Statistically significant results were shown as to the **use of: previous years actual results; in-house market analysis; industry statistics / indicators; and local economic indicators** by industry to **assist in setting budgets**.
➢	In this and previous hospitality industry based surveys **'historic operating data' or 'previous years actual results'** is always the **most commonly cited** information used in setting budgets.
➢	There has been a **shift away from the use of national economic indicators** between surveys undertaken in 1997 and 2004.
➢	**Neither the top-down, bottom-up or combination approach to budgeting dominated** in the survey, with a not significant chi-test result.
➢	Compared to other surveys in the hospitality industry this survey showed **a higher rate of the top-down approach prevalent in the UK.**
➢	The coverage of **zero-based budgeting** in textbooks, **'probably not normative'**, was **in line with** the **picture observed in** the **hospitality** industry.
➢	Where **zero-based budgeting** was used it was usually with new or one-off projects and **not used routinely.**
➢	**Standard hotel industry practice** is to set **budgets for a fixed twelve month period,** this coincides with reported periods in textbooks.
➢	Normal hotel industry practice can be viewed **as starting budget preparation three months in advance of the budget;** this seems to be a shift from four months previously being most common.
➢	Those that start **budget preparation furthest in advance** tend to be those **organizations with most management layers.**
➢	**Managers** are **more likely to participate in budget preparation** at their **own level of management** than any other.
➢	**Hotel managers** are **more likely to be involved in preparing departmental budgets than departmental managers.**

Areas identified from section A, budgetary preparation and planning, to be followed up as part of the qualitative phase of the research are shown in Table 72.

Table 72

Areas to be followed up in the qualitative phase

➢	The most commonly cited reasons for budgeting by industry were to aid control and to evaluate performance. This differed from textbooks mostly commonly cited reasons for budgeting as to aid planning and control.
➢	Why is the previous years budget little used when setting a budget?
➢	Both industry and theory support the view that participation is important in the budget setting process. Given this, why is the bottom-up approach to budgeting is not more widely used in the hotel industry?
➢	What is the reason for the low level of routine usage of zero-based budgeting?
➢	What factors influence how far in advance the budget planning process is started?

B1 Do you reforecast within the budgetary period?

When budgeting for a whole year, and starting budget preparation months in advance of this period, the original budget may need to be amended during the accounting period. Survey data showed significant chi-test results (5.45, Chi 0.05 = 3.84), indicating that the organizations surveyed do reforecast during the budgetary period. Most commonly, this was done on a monthly basis, with a significant chi-test result of 22.74 (Chi 0.05 = 7.81).

Schmidgall, Borchgrevink and Zahl-Begnum (1996) also reported that reforecasting monthly was the most common reported, but in US hotels. However Schmidgall and DeFranco (1998) reported only 25% reforecast at

all within the year. The UK based study by Jones (1997d) also reported monthly reforecasting as the most common. The results were a lot closer between monthly and quarterly reforecastingat that time, showing a shift away from quarterly towards monthly reforecasting.

Dugdale and Lyne's survey (2004), not applied to hospitality, reported forecasting by 90% of those surveyed, with over 50% doing so monthly. This compares to 71% and 48% respectively in this current hospitality applied survey.

B2 Do you set specific benchmarks for investigating budget versus actual performance?

When budgets are used for evaluation and control purposes, not every penny discrepancy is worth investigating. Organizations were asked if they set benchmarks for significant variances for investigation. With a significant chi-test of 6.53 (Chi 0.05 = 3.84) hotel organizations generally reported they set benchmarks for the investigation of variance.

If they answered yes, they were asked to identify the base of the benchmark. For example, was it expressed in monetary value, a percentage, a repeat of an adverse variance, or a combination of these? With a significant chi-square test result of 12.30 (Chi 0.05 = 7.81), the most commonly cited benchmark was to use a combination approach, followed by the use of a percentage, with few reporting the use of a monetary benchmark, or repeat of

an adverse variance. This result coincides with the most commonly cited benchmark set in the previous UK survey (Jones 1997d).

Whilst Schmidgall, Borchgrevink and Zahl-Begnum (1996) and Schmidgall and Ninemeier (1987) consider percentage tolerances, they do not consider if a percentage tolerance is the only benchmark used to consider variance. This current study suggests a more complex approach is used in the industry.

Within textbooks, budgeting variance analysis is generally covered by flexible budgeting, so there is no direct comparison to these results from industry.

B3 When significant variances are identified what action is taken and by whom?

This was an open-ended question, asking for responses related to different levels in the organization. If a significant variance is identified at hotel department level this tends to be followed up by the hotel manager with the department manager in most cases. In some cases the financial controller was also involved in the process, but this was not common. The key aspects addressed were, to explain the variance, identify if it was likely to continue, and to report on the action taken. The response shows this was viewed as a hotel-based issue to be resolved, with little involvement from head office staff in the investigation.

If the variance was identified at unit level, within the hotel budget, the person most commonly cited as dealing with it is the hotel manager. Depending on the organizational structure, the area manager would also be involved and sometimes heads of departments within the hotel. Whilst some organizations reported issues would by questioned from head office, the general view was issues should then be resolved at the unit level. Head office staff are shown not to be directly involved in the resolution of variances in hotel level budgets.

Few organizations had an area level of management, so it is difficult to make conclusive statements for this level. In some cases the area manger followed up the variance with intervention from head office, in other cases the area manager worked with hotel managers to resolve the situation.

If the variance is reported at an organizational level, there is a tendency for head office staff to be involved in the process, generally the managing director and/or finance director lead the process.

At unit and head office level, this follows the responsibility accounting concept of matching accountability with authority and responsibility for the budget. As with participation in the budget setting process, at department level it would appear this is not the case. At that level hotel managers and department managers are involved in the resolution of variances.

B4 What role do budgets take in the monitoring of actual performance in your organization?

With some research identifying that budgets are no longer useful to contemporary management, the role budgets play in the monitoring of the organization's performance is interesting. Organizations all reported budgets were either the main performance indicator (most commonly cited) or one of a few key indicators used in the organization. No organization reported that budgets are little used as a performance measure, and with chi-square test result of 31.58 (0.05 = 7.81), these results are statistically significant.

This result reflects those from the UK in 1997 (Jones 1997d). In percentage terms, there has been a slight increase in those reporting budgets are the main performance indicator between 1997 and 2004. Whilst this is interesting to note, given the 'beyond budgeting' developments during this period of time, the increase is marginal and not statistically significant.

Collier and Gregory (1995b) identified budget to actual performance as the key management performance indicator used in their case study organizations. Brignall et al (1992) also reported in their hotel case study that budget to actual figures were reviewed monthly.

The results show budgets as the main performance indicator as significant, particularly at a time where some research is questioning the usefulness of budgets within organizations this is interesting.

Although textbooks detail budgetary control as a reason to produce budgets, detailed budgetary control sections tend to focus on flexible budgeting. Other management accounting control tools in textbooks are generally outside of budgeting sections, although a small number of textbooks made reference to Activity Based Budgeting (ABB). Due to this, there is no direct comparison to normative theory.

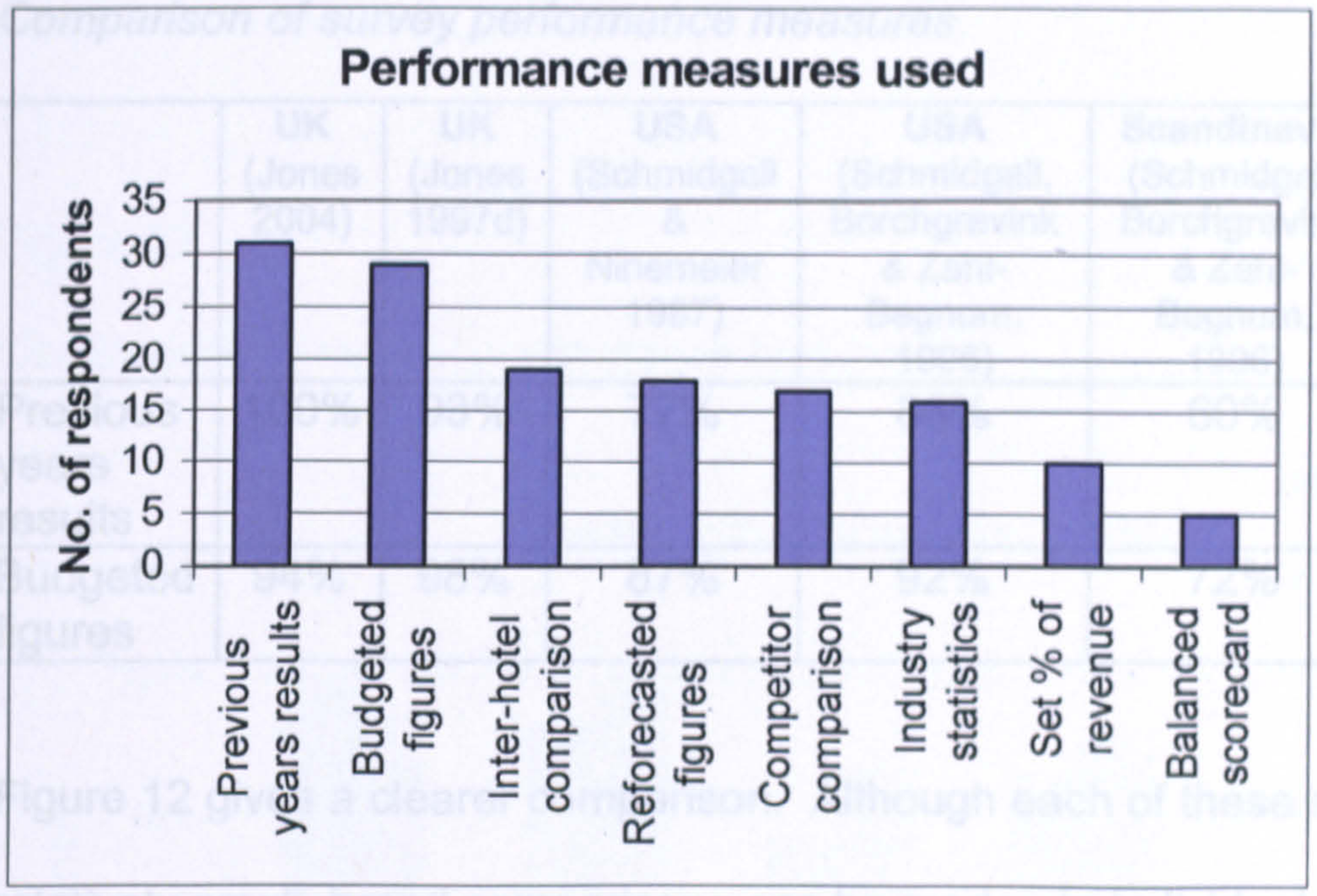
B5 What performance measure comparisons are used within your organization?

Typically, organizations reported the use of between four and five performance measures in their organization. The most commonly cited performance measure comparisons used were: previous years results, budgeted figures, and inter-hotel comparisons, shown in Figure 11.

There is a correlation between the most commonly cited performance measures between these results and those of the 1997 survey (correlation coefficient = 0.79, R^2 62%, critical value = 0.62), with the top three most commonly cited being the same in both surveys. The relatively new technique of the balance scorecard was only used by five organizations.

Figure 11

Performance measure comparisons used



Whilst organizations reforecast their budget on a monthly basis, for performance evaluation purposes they were more likely to refer to the original budget. This will be followed up within the qualitative phase of the research.

Previous years results and budgeted figures, as performance measures are compared to their reported usage in other surveys in Table 73. No other performance measures appeared across all these surveys.

Table 73

Comparison of survey performance measures

	UK (Jones 2004)	UK (Jones 1997d)	USA (Schmidgall & Ninemeier 1987)	USA (Schmidgall, Borchgrevink & Zahl-Begnum. 1996)	Scandinavia (Schmidgall, Borchgrevink & Zahl-Begnum, 1996)	Southwest UK, not-hospitality applied (Dugdale & Lyne 2004)
Previous years results	100%	93%	77%	86%	60%	80%
Budgeted figures	94%	98%	87%	92%	72%	90%

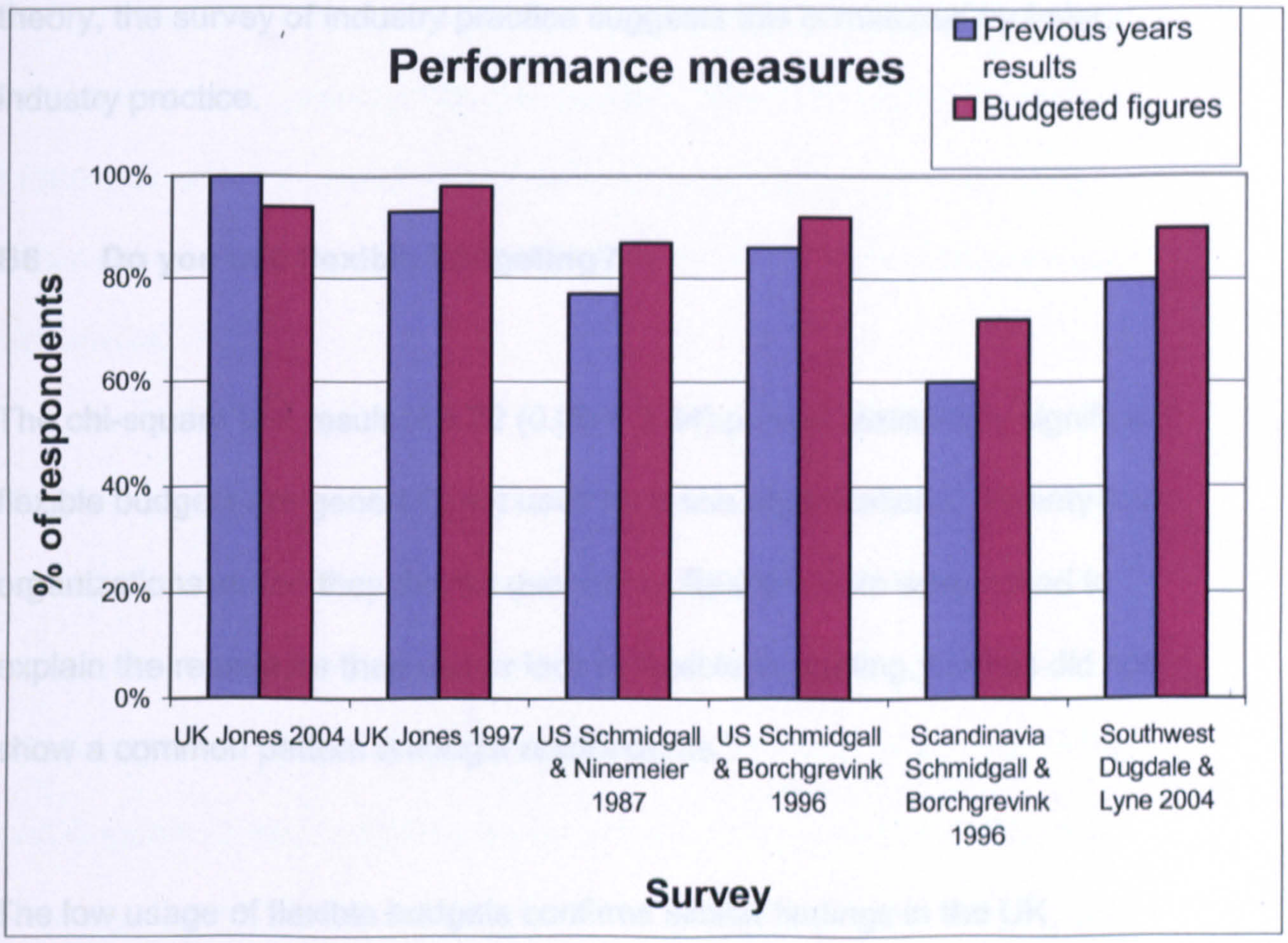
Figure 12 gives a clearer comparison. Although each of these studies is relatively small, broad comparisons can be made. In individual studies there is little difference between the usage of these two key performance measurements. Depending on the study, the variance ranges from 12% in Scandinavia (Schmidgall, Borchgrevink & Zahl-Begnum, 1996) to 5% (Jones 1997d), but these percentages represent the difference of a couple of respondents in most cases.

Whilst this survey shows 'previous years results' as the most commonly cited performance measure, previous surveys used for comparisons identify budgeted figures as the most commonly cited. Given the sample size, this represents two more respondents citing 'previous years results' as opposed budgeted figures and should not be viewed as a significant shift between the surveys.

The role of budgets as a performance measure, particularly as the results do not show a shift away from budgets will be followed up in the qualitative phase of the research.

Figure 12

Comparison of survey performance measures



In the survey by Dugdale and Lyne (2004), they noted that whilst the importance of the balanced scorecard had increased over the last five years, the importance of the budget had also increased over the same time period, identifying such approaches were being used 'in addition to' the traditional budget, not in place of it. This also seems to be the case in the hospitality industry, where organizations are reporting the use of a number of

performance indicators, but the budget is still one of the most commonly cited indicators used. Drury et al's (1993) survey of manufacturing reported variance to budget as a performance measure was considered of above average or vitally important by 67% of respondents.

The content analysis identified the use of 'budgets as a target' as normative theory, the survey of industry practice suggests this is matched by hotel industry practice.

B6 Do you use flexible budgeting?

The chi-square test result of 9.32 (0.05 = 3.84) proved statistically significant: flexible budgets are generally not used by these organizations. Twenty-four organizations stated they did not use them. Respondents were asked to explain the reason for their use or lack of flexible budgeting, but this did not show a common pattern amongst respondents.

The low usage of flexible budgets confirms similar findings in the UK hospitality industry by Collier and Gregory (1995b) and Jones (1997d). Collier and Gregory (1995b) argue the reason for such a low usage of flexible budgets in hotels is due to the high fixed cost nature of hotels. Kosturakis and Eyster (1979) suggest a low usage of flexible budgets, but believe this to be due to it being too sophisticated.

This current study showed a 23% usage in the hospitality industry. In their surveys, not applied to hospitality, both Puxty and Lyall (1989). and Dugdale and Lyne (2004), also reported a low usage of flexible budgets at 20% and 18% respectively. This would suggest an equally low usage in other industries.

DeFranco (1997) also showed that 23% of financial controllers in his USA hotel based study prepared flexible budgets. Whilst Graham and Harris (1999) consider the usefulness of flexible budgeting to their case study organization, they did not implement it fully as part of their profit-planning framework.

Drury et al (1993) however identified a 42% usage of flexible budgeting in a survey of UK manufacturing companies. Given the data for manufacturing companies is not inline with the other surveys this may suggest flexible budgeting is not utilized as much outside manufacturing industries. Drury and Dugdale (1992), reporting on the same survey, recognized the results were significantly different to those of Puxty and Lyall (1989) and suggest respondents were using some flexible budgeting practices, but not operating a full flexible budgeting system.

Within the content analysis flexible budgeting was identified as 'normative', with twenty-seven texts at least 'mentioning' it and five having a specific chapter concerning flexible budgets.

This identifies a significant difference between industry practice and normative theory, which will need further investigation during the qualitative phase of this research.

B7 Are your budgetary planning and control procedures ever reviewed or changed?

With twenty-five organizations reporting they do review their budgetary planning and control procedures, this is statistically significant (Chi-square = 11.65, 0.05 = 3.84). However more organizations report doing this infrequently than those that do so on a routine basis, this reflects a similar pattern identified in 1997 (Jones, 1997d).

When such a review takes place, as you might expect, the people most likely to be involved in reviewing these procedures are finance directors, with chief operating mangers, executive management and managing directors often quoted as being involved in the process. The changes made due to such a review varied, with only change of format and timing quoted by more than one respondent.

In the survey by Dugdale and Lyne (2004), not applied to hospitality, they reported over half of the respondents had made a change in their budgetary process in the last five years.

Why procedures are not reviewed by more organizations on a routine basis will be explored in the qualitative phase of the research.

B8 Do your formal budgetary planning and control procedures include the use of a budget committee or budget manuals?

With chi-test results of 11.65 (0.05 = 3.84) for both the use of budget committees and budget manual the results prove statistically significant that these are not commonly used in the hotel industry. This supports the content analysis results that were also statistically significant, showing these were also not generally mentioned within textbooks either. These were also infrequently cited in Jones 1997d. Kosturakis and Eyster's (1979) study also reported a low use of budget committees.

Therefore, the use of budget committees and budget manuals can be viewed as 'not normative theory' as well as *not* generally industry practice.

Section B Summary

The survey data of industry practice has been reviewed against the content analysis and previous survey research, both applied and that not applied to the hospitality industry. The key findings related to budgetary control and review are shown in Table 74.

Table 74

Key findings related to budgetary control and review

➢	There is statistically significant evidence that **budgets are reforecast** during the budgeting year, most commonly **monthly.**
➢	Benchmarks are set in order to **investigate significant variance;** most commonly this was a **combination of different measures** (i.e. £'s, %, or a repeat of an adverse variance). These cannot be directly compared to textbooks, due to budgeting variance in textbooks generally using flexible budgeting.
➢	Previous industry studies, outside the UK, have considered percentage tolerance, but not other variance measurements.
➢	Where **variance** is identified at hotel **departments or hotel level** this is generally reviewed and **managed within the unit.**
➢	**Variance at organizational level** generally remains an issue for the **managing director and/or finance director to investigate.**
➢	**Budgets** are generally considered the **main performance indicator,** the role of budgets as a performance indicator will be followed up in the qualitative investigation.
➢	**No organizations report budgets as being little used** as a performance indicator.
➢	The **most commonly cited performance measure** comparisons used were; **previous years results, budgeted figures and inter-hotel comparisons.**
➢	Whilst budgets are reforecast the **original budget** still remains **key as a performance measure.**
➢	Content analysis identified the use of **budgets as a target** as normative theory; the survey of the hotel industry suggests this is matched by hotel **industry practice.**
➢	There is a **low usage of flexible budgets** in the hotel industry.
➢	The content analysis identified **flexible budgeting** as 'normative', this identifies a significant **difference between industry practice and normative theory.**
➢	Whilst **organizations review budgetary practices,** they are most likely to be reviewed **on a non-routine basis.**
➢	**Budget committees and budget manuals** were generally **not used** in industry, which reflects the 'not normative' result from the content analysis.

Areas identified from section B, budgetary control and review, to be followed up as part of the qualitative phase of the research are shown in Table 75.

Table 75

Areas concerning budgetary control and review to follow-up in qualitative phase

➢	Why budgets are considered an important performance indicator.
➢	Why organizations are more likely to use the original, as opposed reforecasted figures as a performance measure.
➢	The reason for low usage of flexible budgets in organizations.
➢	Why budgetary practices are not most commonly reviewed routinely.
➢	Why budget committees and budget manuals are generally not used.

C1. Individual Manager's authority and responsibility must be clear for budgetary control to work effectively.

Respondents were asked to comment on the above statement using a five-point scale. Twenty-nine respondents either agreed or strongly agreed with this statement and no respondents disagreed or strongly disagreed with this statement. With a chi-square test result of 20.82 (0.05 = 11.07) this is statistically significant - the respondents agree an individual manager's authority and responsibility must be clear for budgetary control to work effectively.

In the content analysis, whilst the primary code, 'management use of budgets' was considered part of normative theory, the secondary code, 'management's authority and responsibility must be clear' proved 'probably not normative'. Despite being considered 'probably not normative', it was the most commonly cited secondary code in this area, being at least mentioned in twenty textbooks. The industry-based survey supports this statement

made by Drury (1992), but that does not necessarily mean industry practice always ensures that authority and responsibility is always clear, merely they feel it should be.

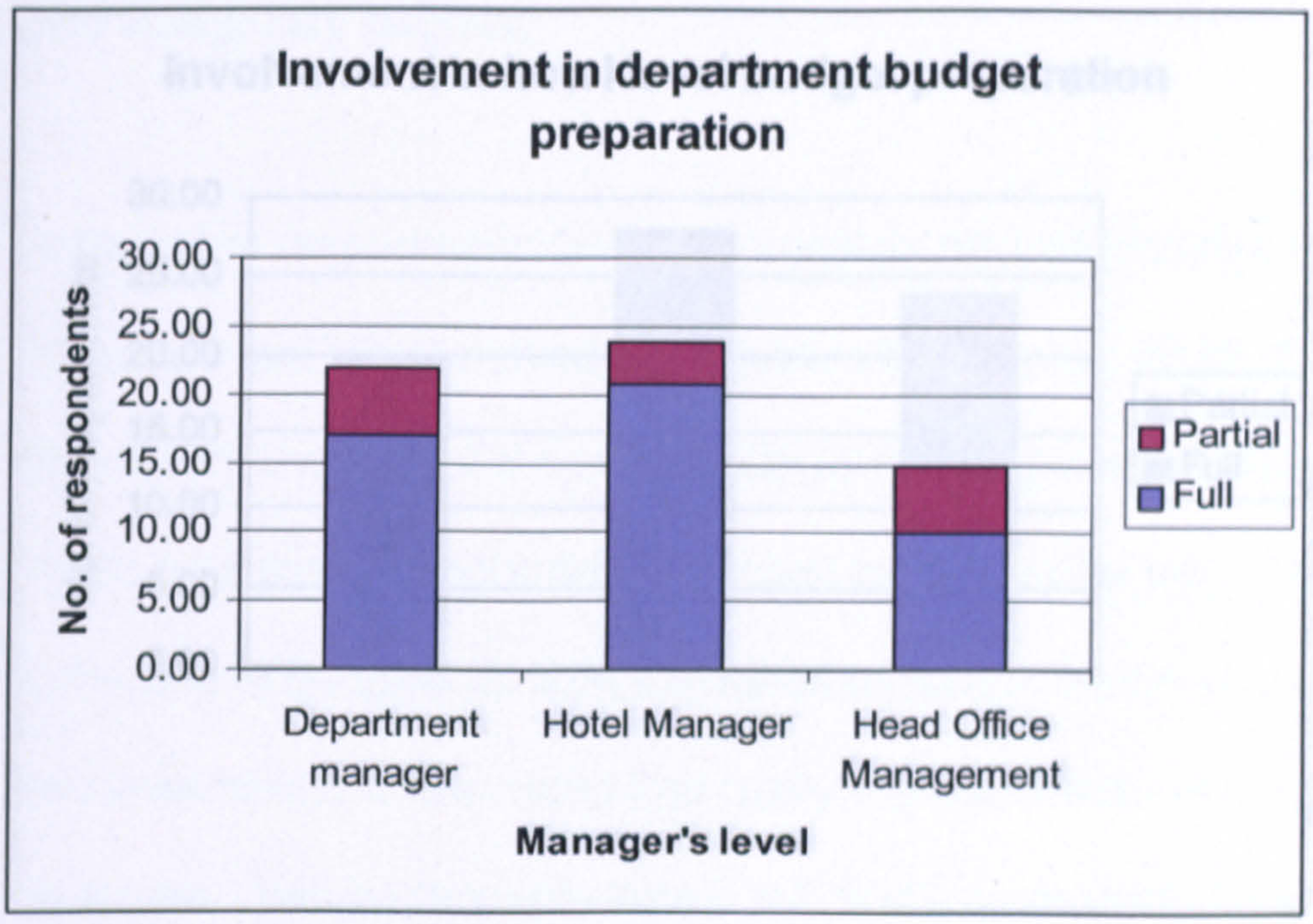
C2. Participation is key to managers accepting their budgets and considering them attainable.

All respondents either agreed or strongly agreed with this statement. The chi-test result of 32.53 (0.05 = 11.07) shows this to be statistically significant. This supports the content analysis position that participation in the budget and standard setting process is normative and that the influence of participation in the budget process is probably normative.

However, it is interesting to note that whilst all respondents agree participation is key to manager's accepting their budgets and considering them obtainable, this is not borne out in the practice of some organizations. Figure 13 identifies that, despite all respondents agreeing participation is key, hotel managers are still more likely to be involved in the preparation of department budgets than the actual department manager themselves. This shows a difference between the actual practice of budgeting and their stated belief that participation is important.

Figure 13

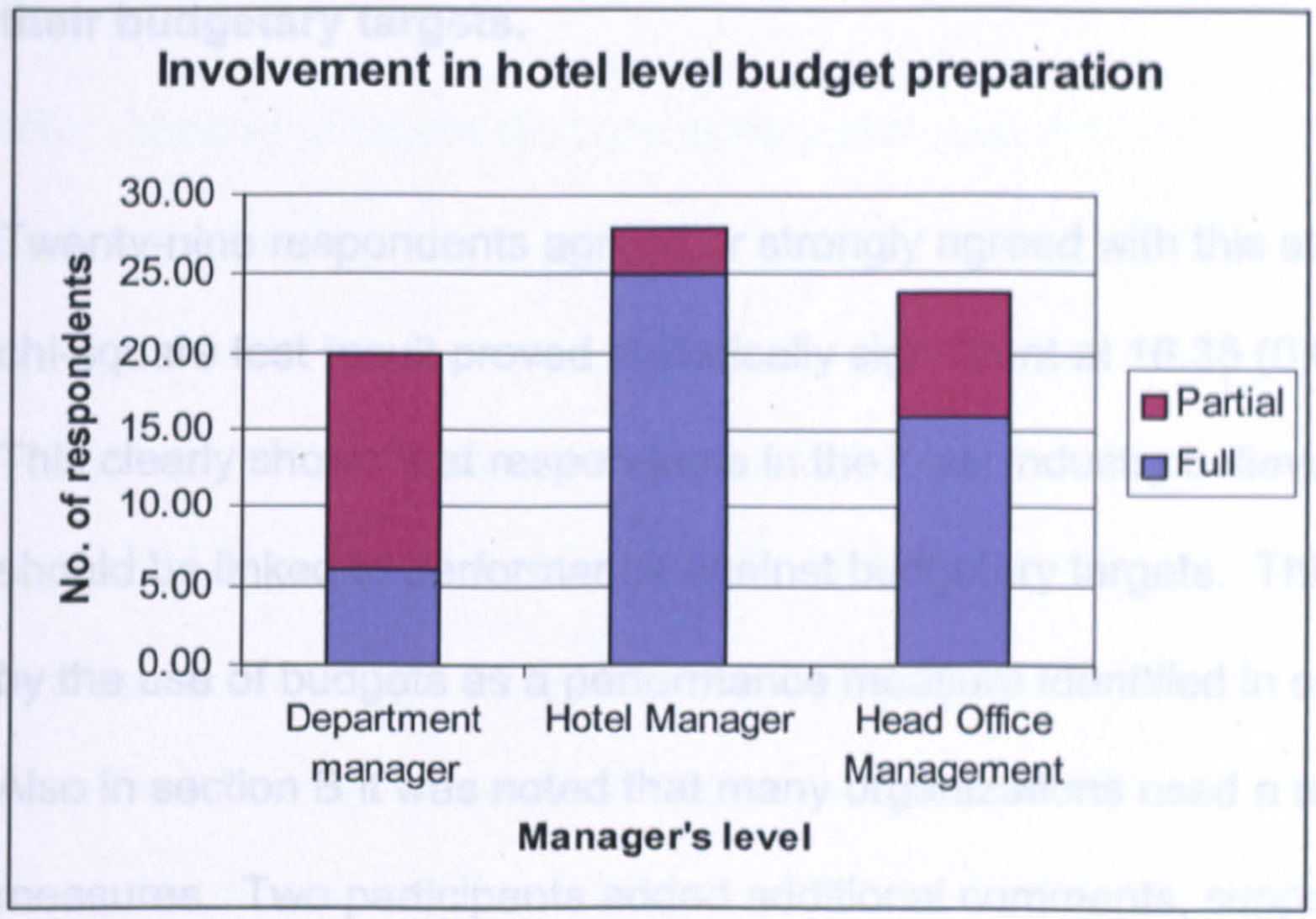
Involvement in department budget preparation



At hotel level, the picture does however show that a hotel manager is the most likely person to be involved in the preparation of their hotel's budgets, as illustrated in Figure 14. At head office level budgeting also shows substantial involvement by head office management. It is only at the hotel department level that there is an issue raised as to participation of managers in determining their own budgets.

Figure 14

Involvement in hotel level budget preparation



C3. Budgetary 'gamesmanship', where managers try to understate revenues and overstate costs, is an issue for us.

In discussing the behavioural aspects of budgeting, the tendency to understate revenues and overstate costs is generally mentioned. Respondents were asked whether they thought this was an issue in their own organization. Responses ranged from those that 'agreed' that budgetary gamesmanship was an issue in their organization to those that 'strongly disagreed' with the statement. Opinions varied to this statement, with the chi-square test result proving not significant.

Given this, budgetary gamesmanship cannot be considered an industry-wide issue.

C4. Managers' performance bonuses should be linked to achieving their budgetary targets.

Twenty-nine respondents agreed or strongly agreed with this statement. The chi-square test result proved statistically significant at 16.35 (0.05 = 11.07). This clearly shows that respondents in the hotel industry believe bonuses should be linked to performance against budgetary targets. This is supported by the use of budgets as a performance measure identified in section B. Also in section B it was noted that many organizations used a range of measures. Two participants added additional comments, supporting this view that budgets are not the only performance measure used. One respondent agreed with this statement, but added managers bonuses should not totally be related to the budget. Another reported the caution that 'within reason' bonuses should be related to the budget, but external forces, for example war, weather and terrorism sometimes impact on performance against budget, which is outside the manager's control.

Collier and Gregory (1995b) identified, in their four case studies that had bonus schemes for managers, all were related to the budget, but sometimes these were adjusted due to external factors.

There is a strong view from the hotel industry survey that managers performance bonuses should be linked to achieving their budgetary targets.

This is also reflected in the budget's role as the main performance indicator in most organizations surveyed.

C5. Having budgets that are achievable, but difficult to attain, motivates managers.

The role of budgets as a motivational tool is discussed not only within why budgets are produced, but also within sections concerning the behavioural implications of budgets. Twenty-six respondents either agree or strongly agree that having budgets that are achievable, but difficult to attain, motivates managers (chi-test result 11.71, 0.05 = 11.07). Whilst this is statistically significant, despite the fact that this shows agreement that such budgets do motivate managers, both industry and textbooks do not show motivation as a strong reason for budgeting.

The use of budgets as targets is identified as part of normative theory in the content analysis. Drury (1992) discusses research that having budgets that are achievable, but difficult to attain, motivates managers, although the specific secondary code is, 'probably not normative'. The survey data from industry supports the view developed from the content analysis concerning the use of budgets as targets.

C6. Participation in the budgetary process is key when using budgets as a performance measure for managers.

As with statement C2, this question focused on participation in the budgeting process. Thirty respondents either agreed or strongly agreed that participation is key when budgets are used as a performance measure (chi-square test 22.75, 0.05 = 11.07). At the primary coding level, the role of participation in the budgeting and standard setting process was identified as 'normative' in the content analysis. In addition, the secondary code, 'influence of participation in the budget process' was shown to be 'probably normative'.

However, whilst the answers show respondents believe participation is key when using budgets as a performance measure this is not always borne out in their organization's practice, particularly at hotel department level, as reflected in the answers to C2.

Section C Summary

This section focused on the human aspects of budgeting. The key findings are shown in Table 76. As section C concerned opinions related to the 'human' aspects of budgeting, much of which related to practice identified in sections A and B, there are no specific aspects from this section to take forward to the qualitative phase of the research.

Table 76

Key findings concerning the human aspects of budgeting

➢	The hotel industry survey supports the view of Drury (1992) that, **individual Managers' authority and responsibility must be clear for budgetary control to work effectively.** This does not necessarily mean industry practice always ensures that authority and responsibility is always clear, merely they feel it should be.
➢	All respondents agreed, or strongly agreed that **participation is key to managers accepting their budgets.** This supports the content analysis position that participation in the budget and standard setting process is normative.
➢	Whilst industry agree **participation is key in budgeting** this is **not always reflected in industry practice.** For example, a hotel manager is still more likely to be involved in setting a department budget than the department manager themselves.
➢	**Budgetary 'gamesmanship',** the underestimation of revenues and over estimation of costs, **cannot be viewed as a hotel industry-wide issue.**
➢	Organizations surveyed believe **manager's performance bonuses should be linked to budgeted targets,** this is further supported by the budget's role as the 'main performance indicator' in most organizations surveyed.
➢	Those surveyed agreed that **having budgets that are achievable, but difficult to attain, motivates managers.** However, it must be noted both the hotel industry and textbooks do not show motivation as a strong reason for budgeting.
➢	The use of budgets as targets is identified as part of normative theory in the content analysis. Drury (1992) identifies that **having budgets that are achievable, but difficult to attain, motivates managers;** the survey data supports this view.
➢	**Hotel organizations surveyed believe participation is key in using budgets as a performance measure,** but this is not always borne out in their organization's practice, particularly at hotel department level. This supports the content analysis position that participation in the budget and standard setting process is normative.

Chapter Conclusions

This survey has added significantly to knowledge of budgetary practices in UK hotel organizations. As part of a corpus-based approach, the survey adds to the existing body of knowledge concerning hospitality budgetary

accounting practices and how this relates to the existing body of 'normative' theory identified in the content analysis.

The analysis is interpretative and has provided results that can be said to add to knowledge in a number of ways. These include:

1. Results that show an alignment between 'normative' theory and UK hotel industry practice;
2. Results that identify a conflicting position between UK hotel industry practice and identified 'normative' theory;
3. Results that fit with previous hospitality applied empirical findings;
4. Results that fit with previous non-applied empirical findings;
5. Results that disagree with previous hospitality applied empirical findings;
6. Results that disagree with previous non-applied empirical findings;
7. Results that are not directly comparable to normative theory or previous empirical work, but still add to the corpus of knowledge;
8. Results that need further qualitative research to be undertaken to provide greater depth of understanding and to increase the knowledge base.

Such categories are not 'mutually exclusive' in that results could add to knowledge in a number of ways. For example they could conflict with normative theory, but at the same time agree with previous industry research.

The results have been summarized, by section, into a tabulated form. The purpose of this is to give a broad overview at the highest possible level. For example, when considering these results against previous empirical findings the focus is on surveys that focused on budgeting, not those that offered a handful of budgetary related questions, whilst the study was focusing on

another topic or those limited to a single case study or reporting from a pilot study.

Table 77 summarizes the contribution to knowledge from section A, budgetary process and planning. In relation to normative theory the UK hospitality industry was shown to generally be in line, where directly comparable data existed. In some cases there was no direct normative comparison, so survey data adds to the body of knowledge in these aspects that are not generally covered in textbooks.

Where existing hospitality survey data exists, generally not UK based, there are some aspects where this survey confirms a similar situation within the UK. This in itself adds to knowledge and identifies aspects of budgeting that are common across the hospitality industry despite the national context of the individual studies. In other respects this study shows differences from previous hospitality applied empirical studies. For example, the move away from national to local economic indicators, the higher proportion of a top-down approach to budgeting in the UK, and the shorter budgeting period within the UK, adding to the corpus of knowledge.

For many aspects of budgetary preparation and planning, there was limited comparable data available in non-applied empirical survey data. It is not therefore possible to fully ascertain how the data compares to UK based organizations outside the hospitality industry.

Table 77

Results for Section A

Result:	1 Alignment between normative theory & UK hospitality industry practice?	2 Conflict between normative theory & UK hospitality industry practice?	3 Corresponds with previous applied empirical findings referenced?	4 Corresponds with previous non-applied empirical findings referenced?	5 Disagrees with previous applied empirical findings referenced?	6 Disagrees with previous non-applied empirical findings referenced?	7 Not directly comparable to normative theory or previous empirical work referenced?	8 Further qualitative research required?
QA1 Reasons	Generally yes, but a greater emphasis on budgetary planning in textbooks	Planning more commonly cited in textbooks, but still considered as industry practice	Yes, but only two, USA based studies	Yes, two generic studies cover elements of this topic	N/A	N/A	N/A	To explore the greater emphasis on budgetary planning in textbooks
QA2 Data used	Not directly covered as part of normative theory	N/A – no established normative position	Most commonly used information comparable with various industry applied studies	No comparable data	Trend to move away from national to local economic indicators	No comparable data	N/A	Use of previous years budgeted figures
QA3 Approach	Textbooks support a bottom-up approach, a mixed pattern in industry gives an inconclusive result	Inconclusive	Generally yes, greater use of top-down approach in UK studies evident	No comparable data	Proportion of top-down approach higher in UK	No comparable data	N/A	Need to explore the reason for approach used in industry
QA4 Zero - based	Yes	N/A	Considered in one study, difficult to draw direct comparisons	One study suggests this is similar	N/A	N/A	N/A	Reasons for low usage to be followed up in qualitative research
QA5 Time period	Generally, yes	No	Yes, one small study only covers this topic	Yes, one generic study covered this	Little previous data	No	N/A	No
QA6 When started	No normative recommendation	N/A	Shows a shift from four to three months in UK studies, period shorter than other non-UK studies	Only one study, it shows a longer period	Some difference, inconsistent in other surveys, all outside UK	One study, longer period identified	N/A	What influences how far in advance budgets are started?
QA7 Who's involved	Theory supports participation and a high level of participation was found in industry	Level of participation varied between management levels, not shown in textbooks	Not covered specifically	No comparable data	Not covered	No comparable data	Theory does not consider by level of management and not specifically covered in other empirical studies	No

Participation in the budgeting process by different levels of management provides some interesting findings in this study, but there is no other directly comparable data in textbooks or from other studies (both applied and non-applied). Having no equivalent comparative data identifies this as being a fresh contribution.

Table 78 summarizes the contribution to knowledge of section B, budgetary review and control. For some aspects there was no direct 'normative theory' comparison. Where there was a direct comparison to normative theory these were not in conflict, *except* concerning flexible budgets. The hospitality industry usage of flexible budgets is in conflict with normative theory and this is an important finding.

Whilst the results for many aspects do correspond to previous hospitality applied empirical findings, the previous applied research is shown to be very limited. Comparable previous applied data either does not exist or is restricted to a maximum of two relatively small investigations. In this respect, this survey adds significantly to the applied body of knowledge regarding budgetary review and control. Equally there was a lack of non-applied empirical studies with which to draw direct comparisons. For half of the questions in section B there was no direct equivalent empirical findings with which to draw comparisons, therefore this survey is adding much to the corpus of knowledge.

Table 78

Results for Section B

Result:	1 Alignment between normative theory & UK hospitality industry practice?	2 Conflict between normative theory & UK hospitality industry practice?	3 Corresponds with previous applied empirical findings referenced?	4 Corresponds with previous non-applied empirical findings referenced?	5 Disagrees with previous applied empirical findings referenced?	6 Disagrees with previous non-applied empirical findings referenced?	7 Not directly comparable to normative theory or previous empirical work referenced?	8 Further qualitative research required?
QB1 Reforecast	No recommended period specified	N/A	Yes, with one study	Yes, only one study covered this	Yes, with one study	No	N/A	No
QB2 Benchmarks	No textbook direct equivalent	N/A	No direct equivalent	No direct equivalent	N/A	N/A	No direct equivalent	No
QB3 Action on Variance	No textbook direct equivalent	N/A	No direct equivalent	No direct equivalent	N/A	N/A	No direct equivalent	No
QB4 Monitoring role	No textbook direct equivalent	N/A	Yes, two studies in UK	No direct equivalent	No	N/A	N/A	Why are budgets a key performance indicator?
QB5 Performance measures	Use of budgets as targets match	No	Yes, for some performance measures	Yes, for some performance measures	No	Yes – one specific study	No direct equivalent for some measures	Why the original budget is valued above the reforecasts.
QB6 Flexible budgets	No	Yes, normative in textbooks, but little usage in industry	Yes	Generally yes, one study of manufacturing not in line with findings	No	Generally, no	N/A	The reason for low usage of flexible budgets.
QB7 Review process	No textbook direct equivalent	N/A	Jones 1997d only other study to cover topic	Only one study, not comparable data	No	N/A	Only direct comparison Jones 1997	Why more organizations do not routinely review budgeting procedures.
QB8 Budget Committee / manual	Yes	No	Jones 1997d only other study to cover both. One USA study covers committees	Not covered	No	N/A	N/A	The reason for low usage of budget committee and manuals

Table 79 summarizes the contribution to knowledge of section C, the human aspects of budgeting. Not all aspects were directly comparable to 'normative theory', but where they were they were generally in line with normative theory. Whilst there was little conflict with 'normative theory,' there was very little empirical data with which to draw comparisons. The lack of directly comparable data supports the view that this survey has added substantially to knowledge of the hospitality industry's viewpoint on behavioural aspects of budgeting.

Overall this survey has added to the corpus of knowledge concerning budgeting applied to UK hotels. Specifically it identifies:

- Some results show an alignment between 'normative' theory and UK hotel industry practice;
- Only one aspects identifies a conflicting position between UK hotel industry practice and identified 'normative' theory, although there are a number of survey results that are not directly comparable to 'normative theory';
- There are some results that confirm previous hospitality applied empirical findings, generally from outside the UK, in a UK context;
- Some findings identify a difference between this and previous applied empirical findings;
- There are a number of results that tally with previous non-applied empirical findings from the UK;
- Whilst there are many aspects where no directly comparable non-applied empirical findings exist, this study disagrees with few of the previous findings; and
- Many results are not directly comparable to normative theory or previous empirical work, but due to this add significantly to the corpus of knowledge.

Table 79

Results for Section C

Result:	1 Alignment between normative theory & UK hospitality industry practice?	2 Conflict between normative theory & UK hospitality industry practice?	3 Corresponds with previous applied empirical findings referenced?	4 Corresponds with previous non-applied empirical findings referenced?	5 Disagrees with previous applied empirical findings referenced?	6 Disagrees with previous non-applied empirical findings referenced?	7 Not directly comparable to normative theory or previous empirical work referenced?	8 Further qualitative research required?
QC1 Authority/ responsibility	Generally, not specifically	No	N/A	N/A	N/A	N/A	No directly comparable data	No
QC2 Participation/ accepting	Yes, but not always reflected in practice	Generally, no	N/A	N/A	N/A	N/A	No directly comparable data	No
QC3 Gamesmanship	Not directly comparable	No	N/A	N/A	N/A	N/A	No directly comparable data	No
QC4 Bonus linked to budget	Not directly comparable	Not directly comparable	One small UK based study only	N/A	N/A	N/A	N/A	No
QC5 Achievable budget	Not directly comparable	Not directly comparable	N/A	N/A	N/A	N/A	No directly comparable data	No
QC6 Participation/ performance measure	Yes, but not always reflected in practice	Generally, no	N/A	N/A	N/A	N/A	No directly comparable data	No

In a number of areas a survey of this nature cannot give the full picture. For a number of results there is a need for further qualitative research. Such additional research is required to provide a greater depth of understanding and to increase the corpus knowledge base. In-depth research will also allow greater interpretation of results to take place.

Section 7

Qualitative Hospitality

Industry research

Chapter 11 Qualitative Hospitality Industry Research

– Research method

Introduction

The fourth objective of this research is to; '*elicit reasons, through structured interviewing, for any budgetary theory not fully utilized within UK hotel organizations'.*

The comparing of hotel industry practice to theory established the extent to which theory and practice coincide, but not the reasons why. Previous survey based research (Collier & Gregory 1995b, Schmidgall & Ninemeier 1987, Schmidgall, Borchgrevink & Zahl-Begnum 1996) provides evidence that some aspects of budgetary theory are not being widely used within industry, but not the reasons for this position.

When Drury et al (1993) conducted a questionnaire survey of management accounting practices within UK manufacturing they concluded that such a survey only provided a broad description of practice and further research would be needed to examine why specific techniques are, or are not, used in industry. This current research takes that additional step by collecting qualitative data as to why certain elements of budgeting theory are, or are not, used in practice. No other in-depth research as to why practice is as it is

has been undertaken in this field before. In this respect this work makes a substantial contribution to knowledge in this area and may also have an impact on industry practice in the future. This 'making sense of practice', Scapens (2006) third practical dimension, is interpretative in nature and fits with the methodological stance of this research.

Qualitative Research

Walsh (2003) discusses the value of qualitative research in adding to the knowledge of hospitality. She believes that the main purpose of such research is '*the creation of new knowledge*' (Walsh 2003, p. 66), which fits well within the corpus of knowledge and interpretative approach adopted here. The overall purpose of this research is to develop budgetary theory, as applied to the hospitality industry.

Walsh (2003) states four critical reasons for qualitative hospitality research, it:

1. Aids the understanding of the 'how?' and 'why?' of respondents views through 'rich description';
2. Aids the interpretation of previous quantitative findings;
3. Can aid the researcher in developing theories; and
4. Allows researchers to fully engage with issues in the 'real world' hospitality industry context.

These reasons for using a qualitative method fit well with this study. She reports that quantitative and survey data often report findings, but without establishing why they occur. She believes qualitative data provides view

points that can be used to '*advance our theoretical understanding*' (Walsh 2003, p. 68).

Walsh (2003) identifies that in many cases quantitative empirical findings are reported,

> '...without being able to explain the why they occurred. Many times researchers end their reports with implications, in which they theorize why their results turned out the way they did and offer their ideas as avenues for future research. Qualitative research, with its interpretive strength, can help solidify such theorizing.' (Walsh 2003, p. 68).

Appropriate Research Method

At the outset of this research project it was anticipated this would be undertaken through the use of structured interviews with organizations' finance directors, with the sample drawn from those involved within the earlier survey phase of the research. It was also identified that the precise details of this aspect of the study could not be confirmed until after the completion of the previous three objectives. Preliminary research (Jones 1997d) highlighted fifteen finance directors that were willing to be involved in such interviews so access to data was not considered a limiting factor.

Within the survey phase five respondents stated they were prepared to be further involved in the study, with one additional stating it as a 'may be'.

Whilst the number was lower than anticipated, given the qualitative nature of the research, volume of data was not a key factor.

Before the start of this phase of research two additional opportunities were taken to increase involvement in the research. Firstly, those completing the survey that requested the executive summary of results were asked if they wished to take part in further research. This did not produce any additional interest. Secondly, summary results were published in an article in BAHA Times (Jones 2004). This gave contact details if any BAHA members wished to take part in further research; again this did not produce any additional interest in taking part.

Given the attempts to make contact with additional people willing to take part had failed the decision was made to continue with the five, possibly six respondents already identified from the survey phase of research. Whilst such a number could not be viewed as representative of the industry as a whole this was not the key factor in the qualitative phase of the research. They did however range from organizations running two hotels to those running one hundred hotels. In addition their ownership mixed public and private companies, with sales revenue ranging from £3.5million to £300million. Between them, they are drawn from a broad spectrum of the industry.

Given the data already collected from the survey and the identified aspects for further consideration telephone interviews were considered the most

appropriate format. Denscombe (2003) identifies interviews are appropriate where: the researcher requires detailed information; and it is reasonable to gather information from a small number of people. Given the purpose of this phase of research interviews are considered an appropriate research method. He goes on to state: '*the justification for interviews is based on the value of contact with key players in the field*' (Denscombe 2003, p. 165). Finance directors are in a unique position to provide what Denscombe (2003) refers to as 'privileged information' through the interview process.

Denscombe (2003) also believes interviews lend themselves to multi-method research, where the interview is used to add detail and depth to the research.

A semi-structured approach, where questions are clear, but open-ended with the opportunity to follow-up on responses was considered most appropriate, given the purpose of the interviews was to gain a better insight into the reason behind hotel industry budgetary practices. Such an approach allowed for pre-prepared questions to be asked, but allowed the possibility to probe and question answers to elicit greater understanding, as required.

As with any research method, there are many listed advantages and disadvantages of interviews, some specifically to telephone interviewing. The advantages are illustrated in Table 80. There are several advantages specifically related to telephone interviewing. Lucas (1999) sights several previous hospitality applied research projects that have made use of the telephone interview method of data collection.

Table 80

Advantages of Interviews:

➢	Depth of information that can be gained (Denscombe 2003);
➢	Flexibility, allows for development of lines of questioning (Denscombe 2003);
➢	High response rate, due to being pre-arranged (Denscombe 2003);
➢	Insights from wisdom of key informants (Denscombe 2003);
➢	More likely to answer sensitive or confidential questions in telephone interviews, as perceived as more anonymous (Lucas 1999, Denscombe 2003, Zikmund 2003);
➢	Simple equipment required and builds on conversational skills (Denscombe 2003);
➢	Telephone interviews increase geographical coverage of interviews (Cooper & Schindler 2003);
➢	Telephone interviews reduce bias (Cooper & Schindler 2003);
➢	Telephones provide the best access to difficult to reach respondents due to ability to call again being easier than in face-to-face interview call-back (Zikmund 2003, Cooper & Schindler 2003);
➢	Validity, direct contact allows for checking of data with respondent (Denscombe 2003); and
➢	Works well when trying to gain the respondent's priorities, ideas and opinions on a subject (Denscombe 2003).

Table 81 illustrates the disadvantages of using interviews in research. Some of the listed disadvantages of interviewing are however minimized by telephone interviews.

Table 81

Disadvantages of Interviews:

➢	Costly, if geographically widespread, but telephone interviewing reduces costs (Denscombe 2003, Cooper & Schindler 2003, Zikmund 2003);
➢	Limited length of telephone interviews (Cooper & Schindler 2003, Zikmund 2003,), Zikmund suggests telephone interviews generally last less than ten minutes;
➢	Reliability issues due to interaction with researcher (Denscombe 2003), but less bias in telephone interviewing due to facial expressions and visual clues not being present (Cooper & Schnidler 2003);
➢	Speed of interviewer can impact on speed of interviewee's response (Groves et al 2004); and
➢	Interviews can be time-consuming in analysis (Denscombe 2003).

Ethical Considerations

Informed consent was gained from each respondent. In addition to their previous involvement in the study, at the start of each interview the confidential nature of their responses, the fact it was an anonymous process, and that data would only to be used for the purpose of this research project were established.

Taping the interviews would be easier for transcribing and is less open to interviewer bias and error (Denscombe 2003). Respondents were asked if they were willing for the interview to be taped. All interviewees were willing for the interview to be taped.

Such measures are reflected as ethical good practice in interview research by Denscombe (2003).

Interview Content and Design

As previously stated a semi-structured question approach was considered best suited to the information required. In many respects the design of the interview questions follows the advice for designing survey questions, as already detailed in Chapter 8.

The interview questions were kept to a minimum and as simple as possible. Additional prompts were added as follow-ups to some questions to ensure the question was fully answered. Appendix 9 illustrates the interviewer questionnaire sheet used during the interviews.

Pre-checking

Given the limited number of possible respondents, a pilot from within the potential respondents was not considered possible. Instead questions were drafted and then reviewed by academic colleagues to ensure they were clearly expressed and would be understood by respondents.

Initial Letter to Respondents

Denscombe (2003) identifies that gaining agreement for an interview is often better if individuals are contacted in advance. Those that had expressed an interest in being further involved were written to on 19th November 2004, see Appendix 10 for letter sent. This initial contact; reminded individuals of the survey they had taken part in, their willingness to be further involved, detailed the next phase of the research (i.e. follow-up telephone based interviews to last 10-15 minutes), and advised they would be contacted in the following week to arrange a convenient time for the interview to take place.

Follow-up

After three telephone interviews had taken place there were still problems making contact with two respondents who had expressed an interest in taking part and an additional respondent had failed to be available twice for a pre-booked telephone interview.

This final respondent had been spoken to by phone a number of times and had agreed a date and time for a phone interview twice, but had then been unavailable. The respondent suggested, if the questions were sent to him, he would find the time to make a written response instead. Although this would lead to a mixed data collection method, as only three interviews had taken place, this was deemed necessary for the study.

The interview questions were written into a written questionnaire format and sent to all three respondents who had expressed a willingness to be further involved, but had not completed an interview. Two out of the three respondents contacted in this way completed the interview questions as a written questionnaire.

Whilst the findings from these five respondents showed some interesting results, an additional attempt was made to gain more responses.

Within the initial survey there were fifteen respondents that had completed the survey and provided contact details because they wished to be sent the

executive summary, but had not expressed an interest in further involvement. Given their initial willingness to complete a postal survey and the experience of two respondents willing to undertake a written response to the telephone interview questions they were further contacted. Given these respondents had not expressed an interest in further involvement at two previous opportunities (at initial survey completion and when the executive summary was sent) the expected response rate was low. This was confirmed when only one completed in-depth questionnaire was returned from this mailing.

Validity and Reliability

As stated previously, direct communication with the respondent allows for greater validity of results, as they can be checked and probed by the interviewer. This is true for the three telephone interviews that took place.

Telephone interviews eliminate the 'visual clues' that can be a cause of bias in an interview situation, thus increase reliability over face-to-face interviewing. The taping of interviews also ensures bias in reporting results is minimized.

The issues of reliability and validity addressed in Chapter 8, concerning postal surveys, better cover the three responses from the completion of a written open-ended questionnaire.

It must be recognized that a mixed research method approach within a single phase of the research is not ideal, but was unavoidable. By using the same questions, in the same order in the telephone interviews and the written questionnaire issues of comparability have been minimized.

The reliability and validity is further enhanced by the 'triangulation' of results from the content analysis, postal survey and this qualitative phase of the research. Walsh (2003) suggests that the use of several research methods overcomes the weaknesses inherent in individual methods and therefore improves the strength and reliability of the findings.

As a qualitative phase of a multi-method approach the results need to be reviewed in the context of the overall reliability and validity of the research as a whole. With a corpus methodological approach, the results do add to the corpus of knowledge and provide the interpretative approach also needed.

Chapter Summary

The results are drawn from three telephone interviews and three written responses to the same questions, six respondents in total. Whilst a greater number of responses were planned the results still proved interesting and worthwhile.

A number of measures were taken to maximize the number of respondents, including adapting the research method to meet the needs of individuals

willing to take part. Whilst this is not ideal, given the qualitative nature of this phase of the research and its role as part of a 'multi-method' approach to developing a corpus of knowledge concerning hospitality budgeting it provides valuable data to the research project.

Chapter 12 Qualitative Hospitality Industry Research

– Results and Analysis

Introduction

In previous sections the results and analysis are presented in separate chapters. Due to the nature of this phase of the research, results and their analysis are best presented in a combined chapter. All interviews were recorded and subsequently transcribed. An example transcription is given in Appendix 11.

Discussion of results will refer to individual telephone interviews as IA, IB and IC and written responses as QA, QB and QC throughout the chapter.

The results are presented and analysed in order of each individual question asked. Please note that the written questionnaire numbering was different, for example, interview questions 1a and 1b became questions 1 and 2. This was due to ease of completion for respondents, but answers are dealt with here under the original numbering scheme, by topic.

Interview and Questionnaire Results

Question 1 – Reasons for budgeting

The survey identified the most commonly cited reasons for budgeting are to aid control and to evaluate performance. Individuals were asked why they thought this was the case.

Interviewee IA reported that, as they run multiple business units, the budget represents the individual hotel's plan for the year. *'[The budget] is simply measuring, maintaining, recognizing and monitoring what they say they are going to achieve'* (IA). IA reported the budget was uploaded into the general ledger system and reported against every month in the management accounts, *'[the budget] is the fundamental document we review'*. From a company point of view, IA reported, '*it comes down to the fundamental point that our General Managers are bonused on their budget'* which is why the budget is viewed as important to evaluating performance.

Interviewee IB reported that the most important budget function for them was controlling costs, '*the managers keep the costs down within the budget and they achieve what we believe is a realistic revenue return'* (IB). IB believes they set realistic, achievable budgets and the budget plays an important role in monitoring operational costs throughout the year.

Interviewee IC felt that from the perspective of a financial director budgetary planning, getting the budget correct initially, was key to the use of the budget. *'The purpose of budgeting is really to forecast where you are going to go and then to measure performance against that and if you don't know where you are planning to be and therefore if you don't plan you plan to fail'.* The argument from IC is that the budget is key to control, but in order to use a budget successfully as a performance measure the budgetary planning has to be done well the first place.

QA believes the reason why aiding control and evaluating performance are the most commonly cited reasons for budgeting can be attributed to the budgets role in indicating current performance and aiding '*how future strategies can be applied'*. QB also agreed that control and performance measurement were the key functions of budgeting and what operational managers focused on. QC believes control and performance measurement to be key as the, '*managers focus tends to be on day to day cost control'*.

Whilst one respondent (IC) believed planning was key, this view was based on the argument that the budgetary plan had to be accurate before it could be used for control and performance evaluation purposes. All other respondents agreed that 'to aid control' and as 'a performance measurer' were key functions of budgeting. In general the rationale for this seemed to be related to cost control against budget as opposed revenue or profit generation, although it was argued that cost control was to ensure profit targets were met.

The role as a performance measure for budgets was clearly the main factor in one organizations bonus reward system for managers. In other organizations it was clearly used as a performance measure, but seemed to be more associated with keeping operational costs down than other financial implications for the operation.

Question 1a – Reasons for difference between textbooks and practice

Textbooks' most commonly cited reasons for budgeting are to aid planning and control. Individuals were asked why industry's mostly commonly cited reasons for budgeting differ from textbooks.

IA believes that the organization's budgets, being annual, can only ever be tactical as, '*we cannot use budgets to look far enough into the future*' in planning strategy. When the suggestion that textbooks are 'process driven', for example cover how to write a budget and how to use it for control, whilst the industry views the budget in terms how they are used IA responded that this was an '*absolutely fair comment*'. Given the previous question answer the view is that budgets have to be written so they can be used for control and performance evaluation, but the budgetary plan is not key in strategic planning of the business, due to its short-term nature.

IB states, '*I do not think budgeting aids planning, planning is done separately*', this supports the view of IA. IB goes on to state, '*in terms of*

planning for things we go through a separate exercise of project evaluation ...to evaluate those and they will then be slotted into budgets'. Clearly a budgetary plan is not viewed as part of the business planning process, which is more strategic and long-term. QB concurs with IA and IB by stating budgets are not used as an aid to planning as, '*planning is more strategic in nature*'.

Whilst IC firmly believed budgeting is about planning the argument is related to the other roles of budgeting, '*to me a budget is about planning, because control is about the performance measured against the budget'*. This suggests not a role in *business* planning but the key role of having an accurate budgetary plan, if using it for control and performance related purposes.

QA suggests the difference in due to, *'textbooks [being] based on theory - the real world can be very different'*. QC supports this view of theory and practice by stating, '*textbooks are written by people who have never been line managers*' as the reason for the difference.

Clearly in these organizations a budgetary plan is produced, *but* the main purpose of the budgetary plan is so budgetary control and performance measurement can be undertaken by comparison to the budgetary plan. Due to the strategic, long-term nature of business planning the budget is viewed as not being as useful in this context.

Question 2 – Use of previous year's budget

There is an argument from the Fred Pryor organization (1990) that the previous year's budget provides useful information when setting a budget, as this is the expectation for the previous year. Individuals were asked their views on this.

IA was adamant that the previous year's budget should not be used, '*certainly by the end of the budget it is 18 months old so there is no way on earth we are going to use a prior budget*'. IA suggests that, '*it is difficult to see a week ahead in the current business environment and that's been particularly true of the hotel business*'. Given this IA believes, '*for industry it is the forecasts and the actuals that are the real numbers*'. IB supports this view that in general it is the previous years actual figures that are most useful. However, IB reports they do refer to the previous years budget '*in terms of labour head count and salary levels*'. In addition the previous years budget will be used in relation to the total capital expenditure on repairs and renewals, but this is not part of the unit operational budgets.

IC also did not agree with the use of the previous year's budget, '*the previous year's actual performance is a good indicator in setting the future budget*'. IC felt the previous year's budget may be a guideline as to the performance of an individual unit, but '*I would say the actual performance in the preceding year is much more important than the budget for the preceding year*'.

QA felt there could be some merit in the use of the previous year's budget but considered, '*zero based budgeting offers the organization a chance to more aggressively appraise costs and reduces reliance on past events as repeating in the future*'. This is certainly seen as the strength of zero-based budgeting, although this seems little used in the industry generally.

QB combines these views concerning last year's actual results and zero basing by suggesting, '*last year's budget is a benchmark, but last year's actual performance is of more value together with the use of zero basing on costs*'.

QC used zero based budgets as the basis, but viewed last years budget and actual results as, '*invaluable as a reality check on the zero based budgets*'.

The responses show that, even if used, the previous year's budget is not seen as the only or best measure, far more importance is placed on actual performance in the previous year. Equally, zero-based budgeting was used, wholly or partly by some organizations, but in these cases the previous year's actual data was still considered as part of the process.

Question 3 – Why the bottom-up approach is not more widely used

Both industry and theory support the view that participation is important in the budget setting process. Given this, individuals were asked why the bottom-up approach to budgeting is not more widely used within the hotel industry.

IA used a bottom-up approach to budgeting, '*not least because they [General Manager's] are bonused on it*'. They firmly believe in participation, '*participation I absolutely agree that's very close to the top of our list of criteria*' when setting budgets. Whilst head office produces initial 'flash budgets', giving overall targets, the general managers produce the detailed budgets for their own units. If the general manager's budget does not match with the flash budget totals, '*and there are justifiable reasons for it not doing then we do accept that*'. The organization believes in the bottom-up approach and full participation in the budget setting process.

In IB organization, the first initial stages of the budget are bottom-up, primarily to gross profit level. However they report that, '*of course general managers will try and peg down their expectations so they will not be disappointed, or they will not have anybody disappointed with their performance*'. They report a level of budgetary gamesmanship is present and later on in the budgeting process head office may nudge the figures higher, '*we may say this is ridiculous, based on last year's figures and the current situation, economic conditions, etc, etc you should be able to achieve more*'. So whilst they value participation they feel head office still has a big role to play and that a fully bottom-up approach is not practical.

IC believes the bottom-up approach to budgeting is not used more widely, '*because the traditional management style is from the top-down and there is not the grass roots expertise to build a bottom-up budget with confidence*'.

IC goes on to explain, with lack of expertise, such budgets are not likely to be realistic. Despite not fully believing in a bottom-up approach IC states, '*you have got to have ownership, which is why participation is so important*'. Managers are involved in setting their budgets, but it is a head office driven process, '*it is the mix of the two that is really the most successful*'. It seems, as with IB, that IC views participation as having value, but that head office financial staff have a better knowledge base and are viewed as being able to ensure more realistic budgets are set.

QA did not use bottom-up budgeting as, '*it can be time consuming, the reliance on past events and prior years numbers is an easier response to the budget process*'. This suggests they do not feel the additional time involved in participation by non-head office managers added to the budget process to provide any longer-term financial benefits.

QB identifies that the '*bottom-up approach is time expensive and therefore not favoured by large corporates*'. Whilst stating, '*participants must be decision makers in respect of costs and revenues that [they] are to be held accountable [for]*', which firmly fits with a responsibility accounting approach to budgeting, QB argues in many large corporate firms, '*where group buying applies, these decisions are not at the unit level*'. Thus implying unit level managers do not need to be involved in the budgeting process as cost and revenues decisions are made further up the organization. Whilst group buying may lead to standardization of material costs it does not lead to standardization of usage or wastage, so this argument is not fully justifiable.

Both QA and QB agree that participation is time consuming and therefore not worthwhile. Equally, both identify centrally controlled organizations, where unit level management are not considered 'decision makers', a day to day operational management role, with tight central control is identified.

QC supports IC's view concerning '*lack of grass routes expertise*' in hotels concerning budgeting, QC states, '*the low educational attainments which are characteristic of the industry in the UK make bottom-up participation ineffective and frustrating for all parties, this situation is unlikely to change in the foreseeable future*'.

With the exception of one organization that uses a bottom-up approach, it is clear that whilst participation is valued as a concept, the key rationale for not using it more widely is the lack of expertise at the unit level within the industry. The evidence points to centrally controlled organizations, with a lack of managers with financial expertise at the unit level. Given evidence of the move away from unit level financial control, particularly in larger hotel groups in recent years (Burgess 2006) this does not look like a situation that is likely to change in the near future in the hospitality industry.

Question 4 – Use of zero-based budgeting

In the survey, few organizations routinely used zero-based budgeting. Individuals were asked their opinion as to why this is the case.

IA may use zero based budgeting with a new project, but would not use it as part of the annual budgeting process, '*as a business the hotel industry is relatively static and predictable, there is no way a hotel is going to ignore sales they have achieved in the year before*'. IA further explains the reason for this view, '*unless the strategy has absolutely fundamentally changed the positioning of that hotel in the market, which frankly it doesn't, that hotel which is four star ... has been there for 30, 40, 50 years, they have core customers, of course your starting point on your sales will be what you did last year*'. IA identifies obviously last year's figures will be considered in light of changes in the market place during the year, but feels the nature of hotels means good sales estimates are best made from previous years sales and not zero based.

IB also believes previous and predicted sales lead to a better budget than zero based budgets in hotels. IB states, '*you have to look at history, you have to look quite closely at the previous year's figures ... most of our hotels have very special reasons, within previous years figures, why they are up or down*'. They reported budgeting weekly to Gross Profit level throughout the year, '*one week may be heavily influenced by some particular event in the locality when we budget we know certain events, weddings, etc are happening*'. IB believes that they can get as precise as they can by using last year as the starting point and do not believe zero basing would allow them to achieve such precision.

IC believes zero-based budgeting is, '*too complex and whilst the nice blue sky, clean sheet of paper is a good approach it does not work in reality*'. The reasons for not believing in can work in reality were two fold. Firstly, '*the experience at the lower level within the organization just isn't there to build it*' and secondly, '*potentially you can end up missing a great deal, which is where the relevance of previous years actual performance is so important*'.

Whilst none of those interviewed used zero-based budgeting this was not the case for those completing questionnaires. QA, who uses zero-based budgeting, believed it was not more widely used in the industry for four reasons, it is:

1. Time consuming;
2. More proactive;
3. More difficult; and
4. Requires a more self-critical approach.

QB, who uses zero basing on costs only, states, '*we tend to look at costs on a zero based basis, but assume repeat revenue from core customers, varied by known changes or expected movements in the market*'. He believes it is not useful outside of costs as, '*zero basing the whole budget is time consuming and assumes the business model is being reconsidered in full each year*'. This supports the earlier views concerning using previous years actuals as the base for setting sales budgets.

QC, whilst using zero-based budgets, believes previous year's results provide a 'reality check'. QC believes zero based budgets are not more widely used in the industry, '*because it is very easy to get a zero based budget radically wrong, whereas using last year +/- is much less prone to serious error in most economic conditions, only in seriously unstable conditions is a zero based budget more reliable as a predictor of outcomes*'.

Given this it could be questioned why they then use zero based budgets. QC explains, '*the benefits of zero based budgeting tends to come from the re-evaluation process rather than the accuracy of its predictions*'.

There is a clear view that zero basing revenue budgets does not add value, it can increase the cost of generating the budget without adding to the accuracy of predictions in the budget. Most organizations felt, in most market conditions, last year's figures were the best starting point for a sales budget.

In addition to this the practicality of using zero-based budgets was identified as an issue in that it is; too complex, staff at a lower level would not cope, and it is time consuming.

Question 4a – Cost effectiveness of zero-based budgeting

As a follow-up question, respondents were asked if they believed zero-based budgeting to be a cost effective approach to budgeting and to give reasons for their answer.

IA felt, '*it's great in theory ... the reality is time*'. IA goes on to explain, '*I think this is true of most service industries, you do not set your standard cost, add your margin on it, it is what the market will bare*'. IA believes you know your market and previous years figures will identify the price customers will bare so zero basing in not cost or time effective.

IB also believes it is the time cost that is an issue in zero based budgeting, '*when you use spreadsheets, as most of us do these days, you can just apply an uplift to previous years figures and there they are in front of you in a few seconds – it would certainly be more time consuming if we didn't do this*'.

IC believes it is not cost effective because it does not add to the budget produced, it is too complex, and managers at the lower level would not understand it. However QA believes it is cost effective, related to costs if, '*you aggressively review the costs of the business, it also encourages a proactive approach which should yield financial benefits*'. QB also believes zero based budgets are cost effect in relation to costs, '*it prevents complacency in respect of costs, effectively moving them from fixed to 'reviewable' annual costs*'.

QC, as already stated, suggests the benefits are more related to the re-evaluation process than the accuracy of the final budget produced, '*if all you want is a predictor of future performance, it is usually inferior to last year +*'. QC believes zero basing is cost effective for them and believes, '*if you want to really understand your business, you cannot do without it*'.

All interviewees believed it was generally not cost effective. However, there is a feeling from those completing the written questionnaire that it can be cost effective related to budgeted costs. The rationale for this seems to be the ability to aggressively review costs, making fixed costs 'reviewable' on an annual basis. However, the cost versus benefits of zero based cost budgets would need to prove the additional profit achieved more than matches the additional time invested in producing the budget. QC seems to suggest this is actually not the case. Perhaps the 'textbook' idea of zero basing budgets on a five-year cycle would provide similar benefits, but at a lower cost.

Question 5 – The influences on when the annual budgeting process is started

The survey identified, most commonly, organizations budget for one financial year at a time and start the process 3 months in advance of the budgetary period. Individuals were asked what factors influence how far in advance they started the budget planning process in their organization.

IA stated that, as a plc, '*we look at our end point, when our lenders need a report and we work backwards*'. IA felt it was the requirement of getting the budget to the lenders that was key to the timing of their process. The interviewer asked if they felt the size or number of management tiers had an impact on the timing of the process, but this was not consider an issue, '*technology is important, frankly if you have 30, 40 or 200 hotels pulling the*

data down will not take you any longer than for 10 hotels – certainly I do not think the size of the business is an influence'. IA went on to state, '*in terms of layers of management possibly the signing off could take longer, but you tend to get organized and set down time for this so it should not be relevant really'.*

IB believes starting earlier than three months beforehand means, '*you are too far in advance from bookings and knowledge of what is going on in that year'.* IB goes on to suggest that perhaps if you have a lot of units and the finance department is understaffed you may need to start earlier so the staff can manage the workload.

IC was in line with IA and IB, believing, '*the ideal perspective is three months'.* IC also states that completing the budget for a full twelve months at a time, '*fits with the financial year and it gives us the opportunity to create long-term plans in respect of cash-flow forecasts and talk to our funders in relation to the cash-flow situation of the business'.* These views show making the period as short as possible and how the budget links to financing the business as being key factors.

QA supports three months in advance as a good starting point as, *'three-quarters of [the] current year [are] gone – good theoretical guide to the future'.* Supporting the view that the later you start the more information you can make use of. However it has to be noted this organization uses zero-based budgets, particularly for costs. Equally QC, who use full zero based

budgeting, state, *'we start as soon as we have quarter three management accounts in'*. QB supports the previous views in that starting three months in advance of the financial year gives, *'time to complete the process and reporting time for debt providers'*.

Whether zero basing or using the previous years figures as the main basis for budgets, organizations like to start budgeting for the next year as late as possible in the previous year. The consensus is this is at around three months in advance, when they have data for three-quarters of a year available. Providing timely budgetary data, including cash-flow forecasts to debt providers seems key to most organizations. Although only one organization added this in the survey as a reason for budgeting and it is not mentioned in the textbooks, it is clear from this phase of the research that the annual budgeting process has a pivotal role in communicating the organizations plans and cash-flow forecasts to the organization's debt providers.

Question 6 – Why is the original budget used for performance evaluation, despite reforecasting?

Within the budgetary period, most commonly, organizations reforecast the budget on a monthly basis, but for performance evaluation purposes were more likely to refer to the original budget. Individuals were asked their opinion as to why this is the case.

IA had previously stated that general managers were bonused in relation to the budget. The rational for comparison to the original budget was, '*unless something drastic has happened your budget should be reasonably accurate and ultimately that is the way we set bonuses and that is the reality GMs know*'. IA gave an example of the '*something drastic*' that would mean this normal pattern would not be followed, '*for example after 9/11, where the hospitality industry went through the floor, we had to re-budget, forecast if you like and re-targeted hotels, then their bonus was on a new target*'.

In addition IA add in 'normal years' they do undertake forecasting, '*the forecast is the most recent operational number that obviously we would review with hotels and talk about recent issues, but never the less it is still on budget that we bonus and that is the way we as a company would look at it*'.

IB simply states, '*the budget is cast in stone*'. IB expects, '*if a general manger is down on his budget you would want him to make it up.* This view is quite clearly linked to external interests, '*the budget has been delivered to banks and shareholders and that's what they expect you to achieve*'. IB believes reforecasting a budget is, '*a bit soft on GMs – it is like saying well OK you have lost out on the first half of the year, we will extrapolate that forwards through to the end of the year and then you will not lose out further*'. IB firmly believes the budget is a definitive document, however they do, '*use forecasts internally, just for the board to know where we are heading*'.

IC has similar views about the external function of the original budget, '*when the original budget is set, it is used to raise expectations external to the company*'. IC goes on to state, '*you need to be able to give them a measure of performance against what you originally told them*'. The organization does undertake additional forecasts for internal purposes but believes the original budget, '*is very relevant still, even if you have a more up to date reforecast, where you think you are going to be*'.

QA identifies that, '*forecasts are more locally used, but are revisions to the budget on a shorter term basis*', and therefore they are viewed as an operational management tool only. '*The [original] budget would have been pre-agreed at a high level, probably board level, so would be more familiar to the senior management*'. This also supports the previous views concerning the external and organizational financial role of the annual budget to the organization.

QB also focuses on the financial importance of budgets, '*hotels are long-term investments where a company is an owner/operator or subject to a lease management arrangement, therefore annual budgets have more relevance*'.

QC believes in reforecasting your budget you, '*waste an awful lot of time gazing at your own navel when you should be focusing on the customer*'. QC further supports sticking to the original budget as, '*it is very difficult to motivate people with constantly moving targets – better to have a single clearly identified target and keep to it*'.

There is a clear view that the original, fixed annual budget has a major role to play, both externally with investor and debt providers, and internally as a benchmark on management performance. Whilst reforecasting generally takes place this has a very different, often more local role and is very much used as additional internal information.

Question 7 – The importance of budgets as a performance indicator

All those questioned in industry used budgets to monitor actual performance, either as the main indicator, or one of a few key indicators. Individuals were asked why budgets are considered important to performance measurement in the hotel industry.

IA believes, '*our budgets tend to be robust and they are documents that we can use to control and monitor*'. IA states they invest a lot of time and effort in producing the budget and use it as their main performance tool. Having worked in other industries and organizations IA considers, '*the bulk of general manger's bonus is based on the budget*' and therefore, '*it is inevitable that everybody's eye will be on the budget*'.

IB believes the budget is, '*the only measurement you really have*'. Again the reason is, '*you applied a certain amount of effort to produce the budget in the first place, those are the sort of performance figures you expect to achieve*'. IB highlights other performance measures exist, such as, '*inter-firm*

comparisons and industry data', but that the budget is the key one. The rationale given by IB for this is that, '*every hotel we operate operates within a locality and there are local influences, which effect that hotel that are built into the budget and you do not get these from inter-firm comparisons'*. He suggests individual hotels are not easily comparable to regional inter-firm comparisons because, '*the local market is very different from the region as a whole*'. IB identifies each hotel has, '*a different mix of business, tourist trade and nationalities'* and this can be accounted for within the budget, but not in the other external measures.

IC views budgets as, '*an inherent part of the business planning'*. IC goes on to explain budgets, '*are a measure, they are factual, they are figures'*. Whilst in some performance measurement literature non-financial measures are promoted, such as in the balanced scorecard, IC believes, '*you have got to have something tangible to measure performance against and facts and figures are the perfect things to do it'*. IC clearly feels the budget is the plan and that is why it should also be the tool on which to review performance.

QA firmly believes in the role of the budget in performance evaluation, '*the strategy of the organization should be followed through to the financial plans and if the strategy is being implemented as agreed then there should be little deviation from the budget'*.

QB support the previous views, '*hotels performance is driven by a few key performance indicators and cost – if the budget has been accurately*

prepared, then barring a major economic disaster, it should be the main benchmark'.

QC reports budgets account for, '*40%-50% of a manager's performance related pay but we work very hard to ensure the method for deciding on the other 50% is fair and objective*'. QC reports, *'it is much easier to use the budget as a basis of calculating performance related pay'.* QC goes on to justify budgets are the main performance indicator, '*because they are one of the few performance measures which it is easy to put a number on'.*

What is clear from this is that, the budget is firmly at the centre of performance measurement in these organizations. They believe they are generally an accurate measure of expected performance and therefore should be the main indicator on which to measure performance against.

Question 7a – The future role of budgets as a performance indicator

As a follow-up question, individuals were asked if they believed budgets would continue to be consistently used within industry as a performance measure in the future.

The interviewer explained to IA that some 'new thinking' was that budgets were just a ritual within industry and there is a suggest we should be moving 'beyond budgeting'. IA reported, '*I don't subscribe to that, I think the reality is ... if you surveyed a hundred companies I bet 98 still budget'.* IA goes on to say, '*frankly it is a nonsense this not budgeting – I have heard a couple of big*

American companies claim not to budget, I don't believe it I am sure they are doing it in one way or another, even if they do not call it a budget'. IA suggests even on a personal basis, '*you earn X salary a year and you budget don't you, albeit with a small b*'. IA suggests, *'it is not this 'beyond budgeting' and all these clichés and buzzwords, it is really what people are saying is, are there different ways of doing it?'* IA does not believe people will ever agree one way of budgeting, but does believe budgeting will remain important.

IB firmly believes the budget will remain the key performance indicator in the industry. IC, after laughing at the question, stated, '*I still think the budget provides the backbone, even for the balanced scorecard'.* IB goes on to explain, '*the fundamental aim of most organizations in industry and commerce is to make money: therefore financial matrix of the organizations performance is probably the most important'.* IC referred back to the balanced scorecard and stated it, '*is a very useful tool in measuring some aspects, but even they tend to rely on the budget – a balance scorecard with 75% reliance on the budget is perfectly reasonable'.*

All questionnaire respondents quite simply said yes they believed budgets would continue to be consistently used as a performance measure in the industry.

All view the budget as the main performance indicator in the hotel industry, some citing the ease of reliance of numerical data, and believe it will remain

as the key performance indicator into the future. Whilst other indicators were not dismissed they were certainly viewed as 'secondary indicators', with the budget being key.

Question 8 – The industry use of flexible budgets

The use of flexible budgeting, where the original budget is 'flexed' to the actual volume of sales, for comparison purposes is little used within the hotel industry. Individuals were asked what they believe to be the reason for this. As a secondary prompt they were asked directly if they thought it was associated with the industry's relatively high fixed cost.

IA reported they do use flexible budgets on an ad hoc basis but '*it is only where we think we have an issue*'. IA did not support the view that flexible budgets are not more widely used in the industry, due to high fixed costs, '*yes a lot of it is fixed, but frankly it is moving away from that, 40% of our labour is now variable*'.

IB believes it is not more widely used as, '*it is probably rather time consuming to keep flexing it – it is a bit of an effort to do that ... I think that's the main reason*'. However, when suggested by the interviewer, IB did agree that the high fixed costs could be a reason.

IC believed it was due to, '*the complexity of flexible budgets*'. Given that the financial data was on spreadsheets, which were already large and complex

IC suggested, '*it is probably not a good tool to flex the budget, because when you do it creates an almost three-dimensional tool*'. IC also concurred with the view that the industry does have relatively high fixed costs and that reduces the usefulness of flexible budgets, '*that is a good argument I would say*'.

QA suggests, '*the successful use of flexing is time consuming, my belief would be that the cost is greater than the benefits in this industry*'. QB states that, '*in the short term costs are relatively fixed, the conversion ratio at the gross contribution line is budgeted for and incremental revenue should convert on that basis – fully flexing the budget is therefore unnecessary*'.

QC believes the high fixed cost could be, '*part of the answer*', but believes, '*re-flexing can remove the effect of [increased] sales performance, which is unwise where the general manger is also responsible for that*'.

The cost and complexity, in relation to what a flexed budget can achieve seem to be key. It is interesting to note that some organizations that use zero based budgeting are not keen to use flexed budgets, due to them not being cost effective. Whilst fixed costs were generally considered *part* of the problem, this was not a strong feeling from respondents and sometimes only considered a reason after prompting by the interviewer.

Question 9 – Reviewing budgetary procedures

In the industry survey, only a few organizations reported routinely reviewing their budgetary procedures, whilst others reported they did not review these procedures, or did so infrequently. Individuals were asked to comment on the reasons for this.

IA reported they do look at the process annually and make changes where they see fit. In general though IA views this as tinkering and not a wholesale review, '*not so much the fundamentals of whether we are going to decide to do zero based budgeting or another method*'. The main reason for this was, '*it's the old cliché, if it is not broke don't fix it*'.

IB was surprised that budgets were not routinely reviewed by more people, '*we tend to review the whole budget process after the budget is completed – we see where changes can be made and processes speeded up, so we do tend to have a bit of a review on an annual basis*'. In addition to this IB reported, '*as we go through the year some amendments are suggested and noted and when we come to do the budgets those amendments are implemented*'. The views of IB suggest the same 'tinkering' of IA and not a wholesale review of if budgets should be produced, over what time period, methods to be used, etc.

IC states the reason for not reviewing the process as, '*I think we probably think what we are doing is fine*'. IC explains, '*this organization, as we have*

grown, has adapted all of our policies and procedures as part of an on-going process, but this is more incremental'. In reflecting specifically about budgets IC reported, '*I guess the procedure does not change year-to-year, it is almost cast in stone'*, IC believes unless you are, for example changing to zero based budgeting, '*things just don't change'*.

QA believed the lack of routine review was probably due to organizations being, '*at differing stages in their lifecycle – growing quickly versus stable business'*. QA believed this would impact on an organizations strategy and need for review.

QB supports earlier views, '*if its not broken why fix it springs to mind – if your budget process works well why change it'*. QC felt this would be, '*too difficult for most general mangers'*.

The above views show generally organizations are happy their budget system is working well for them so do not see the justification in wholesale review. However many do make minor adjustments to the system on an ongoing basis. There is a danger however that other approaches are being overlooked by not undertaking a more radical review of the budgeting process adopted.

Question 10 – The use of budget committees and budget manuals

The survey identified only a few organizations reported the use of a budget committee or budget manual. Individuals were asked why they thought this is the case.

IA does not believe in the use of a budget manual, '*it just gathers dust on the shelf and takes more time to maintain – we do things by exception, people know what is required, we issue guidelines that may be 3, 4, 5 pages long at the most giving the key points*'. IA goes on to say, '*certainly I am not a great fan of manuals*'.

IB also reports, '*there is no real need for a manual – I cannot see any reason for that*'. Their budgets are completed on spreadsheets, '*and there are notes on those spreadsheets of what and how to input figures*'.

IC believes, '*if you know what you are doing, you do not need a manual*'. IA and IB did not report the use of a budget committee. IC reports, '*we really do not have the resources for a budget committee*'. IC states, '*it is the managing director and finance director that will sit down and agree the high level budgets*'.

QA believes the lack of a budget committee comes down to a time issue, '*and involves them [managers] being taken out of their primary role*'. QB

believes the lack of budget committees and budget manuals is due to, '*the industry being highly fragmented*'.

QC believed it, '*is because the industry as a whole cannot support the weight of staff management required to produce such manuals and hold such meetings – there are far fewer staff managers per line manager in this industry than in most others*'.

There is a view that budget manuals or committees would not add to the budgeting process, but that they could add to costs and distract from managers' primary duties. It is suggested the nature of the industry, with geographically widely distributed units, makes the use of a budget committee impractical.

It would appear linked to the fact that the industry is shown to have varying levels of participation in the budgets by lower level management, budget committees are not viewed as a key part of the process.

Question 11 – Additional points concerning budgeting

Individuals were given the opportunity to raise any specific issues or points concerning budgeting in the hotel industry that have not already been covered in the questions asked.

Only two additional comments were made. IB stated they do reforecast for the last three months of a financial year as, '*we do not have actuals for the last two months when we write off the budget*'. Having said this they, '*still report against budget*' for that period.

IC said they view, '*each individual unit as being its own profit centre - that is an important way in which we do it*'. This was viewed as being general practice in the industry.

Chapter Summary

This chapter has considered the reasons behind some of the findings from the survey data and the use of 'normative' theory in the hotel industry.

Some findings point to industry specific management and structural reasons for industry practice, whilst others are comparable to other industries. What is clear from these findings is the key role annual budgeting has within the industry, one that financial directors do not expect to change in the foreseeable future. The role of the budget as an annual financial business plan is used, both internally and with outside interested parties, (investors and debt providers) to control the business and measure performance.

These results are used in the next section, alongside results from earlier elements of this research project in order to develop a model of positive

theory of budgeting within the hotel industry. That is to say, theory 'informed' by practice.

Section 8

Model of Positive Theory

And General Conclusions

Chapter 13 A Model of Positive Theory for Budgeting in Hotels

Introduction

This chapter forms part of the conclusions of this research project. The model developed draws conclusions as to what positive theory of budgeting is, based on the research findings explored in previous sections.

The fifth objective is, *'to develop a model of 'positive' budgetary theory appropriate for UK hotel organizations'*. Previous objectives have led to the development of a corpus (a body of knowledge) concerning budgeting. This includes information from textbooks that provided a 'normative' view of budgeting and information concerning hospitality industry practice, which identified practice and developed a deeper understanding of this practice through qualitative investigation.

It is important to note that 'positive' theory, as previously discussed, is *informed* by practice, but is not a descriptive statement of current practice. In Scapens 'practical dimensions' it is going beyond, '*what managers do?*' by '*making sense of practice'* and helping practitioners by providing further *understanding* of budgeting, in this context as it applies to the UK hotel sector. By its very nature such theory development takes an interpretative approach, by seeking *'to explain action and to understand'* (Ryan, Scapens

and Theobald 2002, p. 42) budgetary practice. Epistemologically interpretative research is described as using theory to explain intention (Ryan, Scapens and Theobald 2002).

As Scapens (2006) recognizes, practice is diverse and, as Chua (1986) states, interpretative research does not aim to 'control' empirical phenomena, but that its purpose is in enriching understanding. The developed model of positive theory for budgeting in hotels needs to be viewed in this light, it is developed to aid better understanding and it must be recognized not every organization will 'fit in the box'.

Positive Budgetary Theory

This is a personal development of positive theory which is informed by understanding and knowledge of budgeting gained from the systematic review of textbooks, industry survey results and qualitative interviews. As mentioned, Choudhury (1987, p. 217) recognized that, '*theory construction and development involves traversing uncharted territory*' the combined use of a formal content analysis, survey research and interviews in itself is, '*traversing uncharted territory*', but such triangulation adds weight to the findings drawn.

Different aspects of budgeting are now discussed in relation to knowledge and understanding gained from the systematic review of textbooks, industry survey results and qualitative interviews. An opinion in relation to 'positive'

theory is then given, with the key aspects shown **in bold.** The chapter ends with a summary that provides a précis of the developed positive budgetary theory for the UK hotel industry.

Assumption that budgets are useful

Firstly the assumption that budgets are useful needs to be addressed. Budgets are recognized as the most widely used management accounting tool. Even in Scandinavia, where the 'beyond budgeting' debate is at the fore, research shows budgeting is still highly used and expected to continue as such. It is a topic still consistently covered in textbooks and researched by academics and professional bodies alike. Whilst the 'better budgeting' movement discuss the ways in which budgeting can be improved, the underlying principle that the annual budgeting process is useful in organizations is accepted. Indeed, in the hospitality industry the idea of moving away from the budget was dismissed. The budget was seen as 'the backbone as an organizational performance measure, not least due to the demands of lenders that viewed the budget as an inherent part of the annual business planning cycle and required budgets to be lodged prior to the start of the financial year.

Therefore, **annual organizational budgets are considered useful and have both internal and external functions, they can provide lenders with an annual financial plan for the business (often this is a requirement).**

Why are budgets produced?

Textbooks provide an array of reasons for budgeting, with the most common number of reasons cited being six, but the reasons identified as 'normative' are: planning, control and performance evaluation, with coordination and motivation as 'probably normative'. Hospitality industry data, whilst also identifying a number of reasons for budgeting, also showed significant results only for the three 'normative' aspects of planning, control and performance evaluation. Whilst it is interesting to note the consensus between theory and practice for the three key reasons for budgeting, in rank order there are differences. Textbooks place a greater emphasis on planning, with it being the most commonly cited reason for budgeting, whilst industry were more likely to cite budget's roles in aiding control and performance evaluation.

Industry believes that business planning takes place to a different timescale to annual budgeting and that the budget is developed too late to make a meaningful contribution to organizational planning, playing a tactical role at best. Despite this view, the budget is a formal financial business plan for the financial year, so whilst a budget is viewed as a *plan*, its role is viewed as aiding control and performance evaluation in the organization and organizational *planning* is generally viewed as a different process.

Budgets were viewed as operational tools to aid managers in controlling the operation and keeping costs down. They were viewed as a key working document for operational management use and as such managers within

units focus is on daily operational issues. The importance of operational control and cost control are of prime importance to the user group. In many cases an individual's performance is measured and bonuses awarded in relation to performance against budget, highlighting the importance of the control aspect to individual operational managers.

Therefore the key internal reasons for annual budgets in hospitality can be seen as for cost control and performance evaluation purposes. However to maximise the potential of the budget other factors should not be ruled out. It has been recognised a lot of time and money is invested in the annual budgeting cycle and as such organizations should seek to maximise the benefits of the budget. In many organizations the budget serves the dual roles of an internal management accounting tool and meets the demands for a financial plan from backers or lenders to the organization. In addition to their primary functions of control and performance evaluation budgets have the potential to provide secondary functions, such as coordination, motivating managers, and aiding communication within the organization, given the investment in budgeting, individual organizations should maximise their potential usage.

The budget period

Coverage of the budget period was 'normative' in textbooks. However textbooks tend to discuss the alternatives, but without expressing a view for

one particular approach. Quite clearly the industry view was more focused, with the vast majority using a fixed twelve month period, usually fitting with the organization's financial year. As identified in the literature review, in times of economic certainty producing such annual budgets are seen to have more value than in times of economic uncertainty. However, whilst those interviewed recognised that 'unexpected events' (for example 9/11) can make comparison to annual fixed budgets more difficult, they believed in the value of having a fixed annual budget – any shortcomings being overcome by 'commonsense' budget interpretations, or the use of shorter term reforecasting as required.

So, whilst the **shortcomings of an annual fixed budget,** particularly **in times of economic uncertainty are recognised they are still highly valued in the UK hospitality industry.** Any **shortcomings** in such budgets are **minimized by reforecasting during the budgetary year,** more often monthly.

What influences how far in advance budgets are started?

Textbooks report budgets can be started 1-6 months in advance of a financial year, for annual budgets. The hospitality industry survey identified three months as the most common and also identified a shortening of the time period over time. The data were analysed against various characteristics of the organizations taking part. There was not a strong correlation between when the budget was started and the layers in the management structure,

number of hotels operated, or sales revenue. Whilst those starting furthest in advance had a tendency to have more management layers, and those starting closest to the budgetary period least management layers, in the middle range no clear relationship was identified.

It was evident from the interview phase of the research that the annual budget has a pivotal role to play in communicating plans and cash flow forecasts to debt providers. When these were required was taken into account in when budgets were started. The key issue to organizations was starting as late as possible, so they had as much previous year data as possible, ideally starting after data from quarter three was available. This also applied to those using zero base budgeting. The size of an organization was not seen as an issue, as technology ensured uploading data from many units was not any more time consuming.

When the budget is started varies, but with **three months** in advance being the **most common.** The **key influences** on when the budget is started are the **requirements of financial backers and** starting as late as possible **to maximize previous year's data available,** ideally after quarter three. There is **not a strong correlation between when the budget was started and the layers in the management structure, number of hotels operated, or sales revenue.**

Information used in setting budgets

As previously identified, textbooks did not cover this topic in detail. The hospitality industry survey identified significant results, showing organizations used previous years actual results, in-house market analysis, industry statistics and indicators, and local economic indicators when setting budgets. Previous years actual results (historic operating data) was the most commonly used information. This supports findings from previous hospitality applied studies.

Usage of previous year's budgeted figures and national economic indicators, although used by some, were not statistically significant. Given the age of the budget three-quarters of the way through a financial year, whilst some organizations use it to look at specific budgets, such as salaries, or capital expenditure on repairs and renewals, actual figures and forecasts are viewed as far more important and reliable indicators when establishing the next year's budget. In the previous survey by Jones (1997d) national economic indicators were the second most commonly cited information used. This current study shows a shift away from national economic indicators, with an increased emphasis on local economic indicators. This is supported by interviewees' comments concerning each hotel working in a specific local market that needs to be addressed in budgeting. Economic disasters for the industry (9/11, 7/7, foot and mouth) in recent years have had localised impact on the industry and this may be the reason for a shift of emphasis from national to local economic indicators in budget setting since 1997.

Therefore, **the most commonly used information in setting an annual budget is previous years data (historical operating data). In addition,** the **use of in-house market analysis, industry statistics and indicators, and local economic indicators** is also significant. There has been a **shift away from the use of national to local economic indicators in recent years,** supporting interviewees' comments that every unit needs to be considered in relation to its specific local market, **the localized impact of 'economic disasters' may also be a factor.**

Computerized budgeting

Within textbooks the coverage of computerized budgeting led to a 'probably not normative' conclusion, one suggested reason for this is that these days it is almost taken for granted. Information from industry would suggest this assumption to be correct, computers, particularly spreadsheets are commonly used for budgeting. Some suggest this has meant budgeting can be quicker, as uploading data from 30, 40, 200 hotels takes no longer than for 10 units. Thus the process of preparing incremental annual budgets and coordinating and communicating these to units at a distance is smoothed by the use of computer spreadsheets designed for this purpose.

Thus, **the use of computers in budgeting in so accepted as the norm that they warrant little attention** in textbooks. **It is however worth noting spreadsheets have allowed the uploading of budgets for multi-unit**

operations over a shorter timescale, almost eliminating size from the equation.

Zero base budgeting

Within textbooks, zero based budgeting is considered 'probably not normative', being at least 'mentioned' in around half of the textbooks sampled. Industry data also suggests some zero based budgets usage in just under half of organizations, with only one organization routinely using it for all budgets. The reasons given for this lack of use are several. Firstly the hotel business was viewed as relatively static and predictable, at the unit level, and given this, more is to be gained by incremental budgeting and developing budgets from previous year's sales figures than from a zero base. It was believed, given the nature of the industry, more precision could be gained preparing sales budgets incrementally than by starting from zero and that you had more to lose than gain from zero based budgets. Even those using zero based budgeting for costs believe you also need to check against last year's data to provide a 'reality check', as it is easy to get a zero based budget, 'radically wrong'.

The issue of cost was considered. In general, the benefit seemed to be considered more in the *process* of aggressively reviewing costs and understanding the business rather than achieving a budget that was any more accurate than incremental budgets.

Whilst **zero base budgeting has its uses,** particularly in respect of new ventures and to a lesser extent in reviewing cost related budgets **it is not considered a routine process that should be adopted across the hospitality industry. The nature of the business,** service sector with particular local unit specific issues, **suggests a more accurate budget, particularly sales budget, can be achieved by using an incremental approach to budgeting.**

Flexible budgets

As previously identified flexible budgeting was found to be 'normative' within textbooks, with five textbooks devoting a whole chapter to them. It was the one aspect of budgeting where there was a substantial difference of opinion between textbooks and industry practice. Within the industry flexible budgeting was little used. The rationale for this was that the annual budget was generally accurate and where it was not (for example after 9/11), reforecasts were used alongside the original budget, alleviating the need for a flexible budget for control. The argument, put forward by previous research (Collier and Gregory 1995b), that it is the high fixed cost nature of the industry that leads to this low usage, was not supported by finding in this research. Whilst some viewed the cost nature of the industry as *part* of the issue in low flexible budget usage, more commonly the reasons given related to cost and complexity. This is further supported by surveys in other industries that show a similar (around 20%) usage of the technique. Whilst some see benefits such as monitoring variable costs and margins,

particularly where costs are based on a percentage of sales, there is not a consensus by those that use it as to the benefits.

Flexible budgeting is not widely used in the hotel industry (around 20%), but its **usage reflects a similar pattern in other industries**, suggesting the **reasons are** not related to industry specific issues such as high fixed costs, but more **associated with its perceived complexity and cost.** Of the minority that use the technique there is **no consensus as to its benefits,** hence it is **not viewed as a technique the industry should adopt wholesale.**

Achievable Budgets Motivate Managers

Whilst neither textbooks or industry view 'motivation' as a key reason for budgeting, a significant result was obtained from those surveyed, agreeing with the statement, 'having budgets that are achievable but difficult to attain motivates managers'. The primary code, 'the use of budgets as targets', in which Drury (1992) discusses this was considered normative.

Both **industry and textbooks agree** that **having budgets that are achievable but difficult to attain motivates managers.** However, **neither industry or textbooks view motivation as a key reason for budgeting.**

Participation in budgeting

Participation in the budget setting process was covered within the 'stages in the budgeting process' primary code, in addition to coverage within the primary code, 'participation in the budgeting and standard setting process' both these primary codes were considered normative in textbooks, with the secondary code, 'the influence of participation in the budgeting process' being probably normative. Where considered, textbooks recommend a bottom-up approach, where managers have full participation in the budget setting process, but Drury (1992) argues against what he calls, 'pseudoparticipation'.

The argument for bottom-up budgeting is that it provides ownership for the budget and that individuals are more likely to accept a budget and strive to achieve it if they have been fully involved in setting it and find it achievable. Whilst a number of those surveyed did operate a bottom-up approach to budgeting this was not the norm. As already recognized, some of those reporting a combination approach to budgeting are actually using a bottom-up approach when you consider the description of the process used. Around a quarter of those surveyed in the UK used a top-down approach to budgeting, which is far higher than industry applied surveys in other countries suggest (around 5%) and this is a concern. This is interesting to note, given that the survey also identified all respondents either agreed or strongly agreed with the statement that, '*participation is key to managers accepting their budgets and considering them attainable*'. With the vast majority also

agreeing or strongly agreeing with the statement, '*participation in the budgeting process is key when using budgets as a performance measure*'.

Possible reasons given for the use of a top-down approach by some hospitality firms relates to management structures, managers' financial experience and responsibilities in the industry. The top-down approach to budgeting, led from head office, was linked to 'traditional management structures', with a centralized management. It was also argued that in such structures buying is also centralized, so responsibility for costs is also not at unit level. This, coupled with managers at unit level not having the financial expertise to construct a budget, were the justifications for top-down approaches to budgeting being used in the industry.

It is interesting to review the survey data that identifies which managers have full or partial involvement in setting budgets within hotel organizations. Managers' were more likely to be involved in setting budgets at their own level in the organization (for example the hotel general manager involved in hotel level budgets) than at other levels. However, a hotel general manager is more likely to be involved in setting individual departments' budgets, than the head of department themselves. Equally if heads of departments are involved in hotel level budget setting the vast majority only have partial, not full involvement, which might be considered 'pseudoparticipation'. Thus it highlights poor levels of participation in the budget setting process is a bigger issue at department level, than at unit level and the issue of lack of financial expertise may be a bigger issue at this level of management.

Kosturakis and Eyster's recommendations in 1979 identified significant participation as important in the budgeting process. In addition they recommended that training could help participants fully understand the process. These recommendation are still valid today.

Therefore, both **textbooks and the hospitality industry agree** that **participation in the budget setting process is important.** Whilst textbooks would recommend using a bottom-up approach the pattern in the **UK hospitality industry shows** no clear pattern, with the **bottom-up, combination and top-down approaches being used by differing organizations.** This evidence is not borne out by other studies of the hospitality industry **outside the UK,** which show **less usage of the traditional top-down approach in the industry.** It can be argued that **the rationale for a top-down approach is not justifiable in that other hospitality organizations in the UK and abroad are using combination or bottom-up approaches. The UK hospitality industry needs to reflect on their recognition that participation is important in budget setting and how this translates to budgeting practice. Current levels of top-down budgeting are too high,** with a **particular issue of lack of full involvement by management at the hotel department level. It may require better financial training for lower level managers to address this.**

Budgetary Gamesmanship

Gamesmanship is mentioned at times related to behavioural aspects of budgeting. Those surveyed were asked if this was an issue for them. The varying responses did not provide a significant result. This highlights that **budgetary gamesmanship is not an industry-wide issue that needs to be addressed.**

Budgets Role in Performance Evaluation

At the primary coding level discussion of budgets in relation to performance measurement was normative. It was argued that the use of the budget as a performance measure needed to be a 'profit-conscious' approach, which views the budget with due regard to long-term goals as opposed a 'budget constrained' approach where the budget is seen as tightly controlling costs. Drury (1992) recognizes financial rewards are often linked to meeting budgetary goals, but argues it is often difficult to measure performance in purely monetary terms. He recommends using several, as opposed a single performance measure, and also that consideration should be given to both qualitative measures and subjective judgement.

This survey identified that the budget was most commonly cited as the main performance indicator used in the organizations surveyed, closely followed by being 'one of a few key indicators'. The two most frequently cited performance measures used were 'previous years results' and 'budgeted

figures', with most organizations using both these performance measures – this is in line with other survey data, both applied and non-applied to hospitality.

Not surprisingly, given the earlier reasons for budgeting focusing on control and performance evaluation, no organization reported the budget being little used as a performance measure. The reasoning for this budget emphasis as a performance measure was related to a number of aspects. Firstly, much time is spent generating the budget. Barring economic disasters, it is viewed as an accurate measure with which to measure actual performance. Secondly, the ease of use in relation to managers' bonuses was identified, with the budget being viewed as a tangible measure. Managers' bonus is mainly related to budgetary performance. Even where it is not the sole determinant of the bonus, it represented the largest proportion of the bonus calculation.

Organizations listed a number of performance measures, the majority financial. Given the 'beyond budgeting' debate, interviewees were asked what they believed to be the future of budgets as a performance indicator. All firmly believed the budget would remain the main performance indicator, whilst accepting other performance indicators are also useful. This supports the textbook view that organizations should use a few key indicators. It is also supported by the research by Ekholm and Wallin (2000) who believe the traditional annual budget can be effectively used as a performance measure alongside other techniques.

One of the key reasons identified for budgeting in the hospitality industry is to measure performance, so it is no surprise it is **viewed as the main, or one of a few key performance indicators used.** The **most common performance measures used are previous years results, and budgeted figures.** Whilst **other more subjective measures are used** the **emphasis is placed on the budget** due to **its perceived accuracy and tangible nature.** Those interviewed did not believe this would change in the future. **The hospitality industry use of budgets as a performance measure is valid, if they are used alongside other performance measure and budgets continue to be an accurate measure, particularly in times of economic uncertainty.**

Use of Original Budget In Performance Evaluation

Whilst reforecasting takes place during the financial year (most commonly monthly), for performance evaluation purposes the original budget was more likely to be used. Barring economic disasters, the original budget was 'set in stone', so whilst reforecasting provides internal local information for short-term planning the original budget is the focus for performance evaluation, including managers' bonus calculations and reporting to financial backers. This is supported by the fact organizations feel they have invested time and money in preparing an accurate budget and believe it to be achievable.

So, reforecasts provide valuable internal recent data for short-term operational planning, but the original budget is the focus for performance evaluation as it is viewed as an accurate, achievable annual plan.

Benchmarks and Investigation of Variance

Hospitality organizations generally reported using benchmarks for identifying significant variances, with most using a combination of benchmarks (percentage, monetary value, or repeat of adverse variance). When a significant variance was identified as needing follow-up at hotel department level this was generally addressed jointly by the hotel general manager and department head, supporting the lack of full involvement in budgeting by hotel department managers. The purpose of this was to explain the variance, establish if it was likely to continue and to report action taken. At unit level variance was usually a matter for the hotel manager, and possibly the area manager. Certainly variance at unit level was considered a unit management issue, with little head office involvement in variance investigation.

Generally **hotel organizations set benchmarks for variance**, usually a **combination of percentage, monetary value or repeat of adverse variance.** As with the process of budget setting, **the hotel unit manager is likely to be involved alongside the department manager in resolving department level variance. At unit level and above** the manager **most likely to be** involved is the **manager at that level in the organization.** This

raises issues as to the financial expertise and training needs of department level management in hotels.

Manager's Authority and Responsibility in Budgetary Control

Management use of budgets was considered normative, although the associated secondary code, 'management's authority and responsibility must be clear' was 'probably not normative'. The survey showed significant results in agreement with the statement that, 'individual manager's authority and responsibility must be clear for budgetary control to work effectively'. Evidence seems to show a match between accountability and responsibility at unit and organizational level, but the picture is less clear at hotel department level. At this level less input is made when establishing the budget or in investigating variance, with hotel managers being involved in the process. Interviewee information suggests a lack of financial understanding by managers, and centralized purchasing, may mean a lack of responsibility that is linked to an equal lack of accountability in budgetary control for department managers.

Whilst the hospitality industry supports the notion that an individual manager's authority and responsibility must be clear for budgetary control to work effectively, it is unclear if this is practice across the industry, particularly in relation to hotel based department managers. The hospitality industry needs to ensure budgetary authority and responsibility is matched, particularly at department level.

Use of Budget Committees and Budget Manuals

The coverage of budget committees and budget manuals in textbooks proved 'not normative'. Equally the industry survey showed a lack of usage of these. The interviewees identified that a few pages of guidance, or notes on a spreadsheet file, were adequate and resources were simply not available for producing a budget manual. They were not viewed as adding value to the process. Likewise, the geographically fragmented nature of the industry is seen to make budget committees impractical. This supports earlier findings by Kosturakis and Eyster (1979) who found budget manuals did not improve the budget, or reduce budget to actual variance in the industry.

The hospitality Industry and textbooks concur that both the **use of budget committees and budget manuals are not the norm.** They are **not perceived as adding value to the process or being practical to administer.**

Review of Budgetary Procedures

The hospitality industry survey reported significant results that organizations had, at some stage, reviewed their budgetary procedures, however this was more likely to be non-routinely, with only 5 organizations reporting reviewing budgetary processes annually. The 'beyond budgeting' argument that budgets can become almost 'rituals' within an organization is based on the

fact they are not questioned. The 'better budgeting' movement suggests organizations need to rethink how they conduct their budgeting, but to do this it is necessary to review the budgeting process.

Interviewees suggest the cliché, 'if it's not broke why fix it?' Whilst some organizations did review budgets annually, this was more tinkering with detail and not a full review of the process, viewing change as a more incremental process. This is supported by the fact that despite low routine review of budgeting procedures in organizations, change has evidently taken place over time, as identified by hospitality industry surveys, which show different results over a period of time.

Whilst it has been **established** that **budgets are useful in the hospitality industry** the **lack of routine review of the processes used** in the industry is **a concern. Budgets run the danger of being viewed as an 'unnecessary ritual' if** their purpose and specific budgeting techniques are **not reviewed. Incremental change is shown** through this research, **but the hospitality industry needs to be more proactive in reviewing budgetary processes.**

Chapter Summary

Table 82 provides a summary of the key aspects of budgeting considered and the position concerning positive theory applied to budgeting in hotels reached from this research.

Table 82

Summary of Positive Theory for Budgeting in Hotels

Heading:	**Hospitality Positive Theory Position:**
Assumption that budgets are useful	*'annual organizational budgets are considered useful and have both internal and external functions, they can provide lenders with an annual financial plan for the business (often this is a requirement)'*
Why are budgets produced?	*'the key internal reasons for annual budgets in hospitality can be seen as for cost control and performance evaluation purposes…organizations should seek to maximise the benefits of the budget… the budget serves the dual roles of an internal management accounting tool and meets the demands for a financial plan from backers or lenders to the organization…budgets have the potential to provide secondary functions, such as coordination, motivating managers, and aiding communication within the organization, given the investment in budgeting, individual organizations should maximise their potential usage.'*
The budget period	*'shortcomings of an annual fixed budget…in times of economic uncertainty are recognised…they are still highly valued in the UK hospitality industry…shortcomings…minimized by reforecasting during the budgetary year'*
What influences how far in advance budgets are started?	*'When the budget is started varies…three months…most common…key influences…requirements of financial backers and…to maximise previous year's data available…not a strong correlation between when the budget was started and the layers in the management structure, number of hotels operated, or sales revenue.'*
Information used in setting budgets	*'the most commonly used information in setting an annual budget is previous years data (historical operating data). In addition…use of in-house market analysis, industry statistics and indicators, and local economic indicators…shift away from the use of national to local economic indicators in recent years…the localized impact of 'economic disasters' may also be a factor'*
Computerized budgeting	*'the use of computers in budgeting in so accepted as the norm that they warrant little attention… It is however worth noting spreadsheets have allowed the uploading of budgets for multi-unit operations over a shorter timescale, almost eliminating size from the equation'*
Zero base budgeting	*'zero base budgeting has its uses…it is not considered a routine process that should be adopted across the hospitality industry. The nature of the business…suggests a more accurate budget, particularly sales budget, can be achieved by using an incremental approach to budgeting.'*
Flexible budgets	*'Flexible budgeting is not widely used in the hotel industry… usage reflects a similar pattern in other industries… reasons are… associated with its perceived complexity and cost… no consensus as to its benefits… not viewed as a technique the industry should adopt wholesale'*
Achievable budgets motivate managers	*'industry and textbooks agree…having budgets that are achievable but difficult to attain motivates managers…neither industry or textbooks view motivation as a key reason for budgeting'*
Participation in budgeting	*'textbooks and the hospitality industry agree…participation in the budget setting process is important…UK hospitality industry shows…bottom-up, combination and top-down approaches being used by differing organizations…outside the UK…less usage of the traditional top-down approach in the industry…the rationale for a top-down approach is not justifiable in that other hospitality organizations in the UK and abroad are using combination or bottom-up approaches…UK hospitality industry needs to reflect on their recognition that participation is important in budget setting and how this translates to budgeting practice…Current levels of top-down*

	budgeting are too high…particular issue of lack of full involvement by management at the hotel department level…It may require better financial training for lower level managers to address this'
Budgetary gamesmanship	*'budgetary gamesmanship is not an industry-wide issue that needs to be addressed'*
Budgets role in performance evaluation	*'one of the key reasons identified for budgeting in the hospitality industry is to measure performance…viewed as the main, or one of a few key performance indicators used...most common performance measures used are previous years results, and budgeted figures…other more subjective measures are used…emphasis is placed on the budget…its perceived accuracy and tangible nature…The hospitality industry use of budgets as a performance measure is valid, if they are used alongside other performance measure and budgets continue to be an accurate measure, particularly in times of economic uncertainty'*
Use of original budget in performance evaluation	*'reforecasts provide valuable internal…data for short-term operational planning, but the original budget is the focus for performance evaluation as it is viewed as an accurate, achievable annual plan'*
Benchmarks and investigation of variance	*'hotel organizations set benchmarks for variance… combination of percentage…monetary value or repeat of adverse variance...the hotel unit manager is likely to be involved alongside the department manager in resolving department level variance. At unit level and above…most likely to be…manager at that level in the organization… raises issues…financial expertise and training needs of department level management in hotels'*
Manager's authority and responsibility in budgetary control	*' the hospitality industry supports the notion that an individual manager's authority and responsibility must be clear for budgetary control to work effectively...unclear if this is practice…particularly in relation to hotel based department managers. The hospitality industry needs to ensure budgetary authority and responsibility is matched, particularly at department level'*
Use of budget committees and budget manuals	*'hospitality Industry and textbooks concur…use of budget committees and budget manuals are not the norm…not perceived as adding value to the process or being practical to administer'*
Review of budgetary procedures	*'established…budgets are useful in the hospitality industry…lack of routine review of the processes used…a concern...Budgets run the danger of being viewed as an 'unnecessary ritual' if…not reviewed. Incremental change is shown…but the hospitality Industry needs to be more proactive in reviewing budgetary processes'*

One aspect identified in the theory/practice debate is whether it is the theory or practice that is 'wrong'. In developing the above positive theory of budgeting for the UK hospitality industry due regard has been given to textbook 'normative' theory, industry practice and the rationale for practice. As discussed in Chapter 4, the picture is more complex than a simple 'theory/practice' comparison, as this implies unity within textbooks and unity in industry practice. This research has identified not all textbooks agree on each aspect of budgeting and likewise there is variation in industry practice that also needs to be considered.

In making these judgements it can be seen that there are incidences where:

- Normative theory and hospitality practice agree (e.g. achievable budgets motivate managers, participation in the budget setting process is important, and the use of budget committees and budget manuals are not the norm);

- Normative theory and hospitality practice disagree (e.g. use of flexible budgets);

- Hospitality Industry practice is accepted within positive theory developed (e.g. when annual budgets are started, information used in setting budgets, and use of budgets in performance evaluation)

- Hospitality industry practice is recommended to be reviewed or amended, by positive theoretical position (e.g. secondary uses of budgets, level of participation - particularly lower level managers, financial training need – particularly for department managers, ensuring financial authority and accountability are matched, and the need to be proactive in the review of budgetary procedures)

This research has used, '*theoretically informed understanding to provide insights which are relevant and useful for practioners*' (Scapens 2006, p. 28) in developing positive budgetary theory for the hospitality industry. Thus, as Chua (1986) describes it, new theory has been developed from prior theory and 'meanings' from those in industry. More general conclusions from the study are explored in Chapter 14.

Chapter 14 General Conclusions

Introduction

This chapter is the second in the conclusions section. Whilst Chapter 13 provides the detailed positive theory conclusions drawn, this chapter focuses on the process and results achieved in this research project more generally. In doing so it reflects on the initial aim and objectives for the study, the methodological approach adopted and specific research methods used. In addition it considers the model of positive theory developed, the contribution to knowledge of this work, the application of the research findings, the limitations of the research, identifies areas for possible future study and a reflection on the 'research journey'.

Meeting the Research Aim and Objectives

The aim of this research was to build a bridge between management accounting 'normative theory' and current practice, through the development of 'positive budgetary theory' that is pertinent to the hotel industry. This has been achieved through building a corpus of knowledge of budgeting theory, as portrayed in textbooks, and a corpus of hotel industry practice. The developed bodies of knowledge were interrogated, with the use of additional qualitative industry based data, to develop the 'positive theory', which is summarized in Chapter 13. Chapter 13 therefore provides the detailed outcomes from this study in relation to positive budgetary theory.

No clear gap between theory and practice was evident across budgeting as a whole. In many aspects theory and practice were in line, particularly at the higher, 'primary' coding level. For some aspects of budgeting there was no definitive, clear view from either theory and/or industry practice, highlighting the existence of a theory/theory gap and/or a practice/practice gap for some aspects. In such cases a diversity of theoretical perspectives or industry practices existed. The notable example of a clear theory/practice gap is flexible budgeting, which was considered normative in textbooks, yet little utilized in industry.

In reviewing 'normative' theory against industry practice, the different orientation of purpose has to be recognized. A textbook, by its nature, is aiming to equip students with tools they may need in the future, whilst data from industry is a reflection of current practice. In this respect individual textbooks may be wider in context, but as a corpus such variety may also be shown across industry practice. Textbooks tend to be 'process driven', splitting budgeting into budgetary planning (the process of setting budgets), and budgetary control (the use of budgets for monitoring and control). In many cases this included financial examples, worked examples and illustrations, focusing on the 'how to' aspects of budgeting. Such numerical aspects were supported by prose, often related to specific research or behavioural aspects of budgeting. In developing positive theory this different orientation had to be recognized. For example the primary code, 'a detailed illustration' and its associated secondary codes were normative in textbooks,

but as the section related to a worked example of how to construct specific budgets it had little meaning in comparison to industry practice.

Another key finding from the study was the role of debt providers. Previous research and textbooks focus on budgets internal management accounting role. It was evident from this current study that the requirements of financial backers, such as banks, had an influence on budgeting in organizations. Firstly, the timing of budgets was more likely to be influenced by when budgets needed to be lodged with the bank than internal factors such as size or management structure of the organization. Secondly, the demand for a fixed annual budget to be provided to financial backers links with the vast majority of organizations using a twelve month fixed annual budget and planning to continue with this into the future. Whilst debt providers place such requirements on organizations it would be difficult for organizations to consider radical change to the process, such as a move to 'beyond budgeting'.

The overall aim was achieved through meeting the five specific objectives set:

- To develop a statement of 'normative theory' regarding budgeting, based on an analysis of management accounting textbooks;
- Based on the identified elements of normative theory found through content analysis in objective 1, to administer a survey concerning the current practice of budgeting within UK hotel organizations;
- To analyse current practice in relation to theory from the data collated within the previous two objectives;
- To elicit reasons, through structured interviewing, for any budgetary theory not fully utilized within UK hotel organizations; and

- To develop a model of 'positive' budgetary theory appropriate for UK hotel organizations.

All objectives were achieved, despite two key issues being encountered.

Firstly, the lack of availability of some textbooks, leading to the sampling framework being adjusted and the timescale being increased for the content analysis. Secondly, the limited number of willing participants for the qualitative phase of industry based research, which led to a multi-method approach to this phase of research.

The aim and objectives of the final research are those originally established at the outset of the project. Previous research degree experience and research into budgeting by the researcher led to a clear framework to the research from the beginning, which has not needed amending during the research process.

The research focused on budgeting in the context of the hospitality industry, but reviewed both generic and hospitality applied previous budgeting research. One question this raises is, 'Is the hospitality industry so different to other industries?'. Atkinson and Jones (in press) explore this in the wider context of hospitality applied research in accounting and finance. Clearly there are some aspects of the hospitality industry that are distinctive, which lead to an industry specific focus to research. Hospitality applied accounting research can therefore be broken down into research that covers generic research themes in an applied context, and research that is industry specific in nature. At the highest level, budgeting, this research is dealing with a

generic topic applied in an industry specific context. Whilst some previous research has suggested industry specific reasons for variations in practice to the 'norm' these have been theorized from statements of practice, but without supporting evidence. The qualitative phase of this research has provided supporting evidence and a rationale for current practice that has been used in developing the model of positive theory. Thus this theory development is not reliant on assumptions concerning the nature of the industry. An example of this is flexible budgeting; previously the low usage in the hospitality industry had been assumed to be related to the high fixed cost nature of the industry. This research identified this was not considered the reason for low usage by hospitality industry finance directors and also showed that the low usage level was in line with some studies conducted in other industries in the UK. For this aspect of budgeting no industry specific issue was identified.

The implementation of 'beyond budgeting' ideals is linked with radical changes in associated management structures. It was evident from this current research that traditional line management structures were the norm in the hospitality industry and this was linked with traditional approaches to budgeting, which were seen as continuing into the future. The industry structure and the lack of financial expertise at grass roots level (particularly hotel department managers) are a big influence on how the hospitality industry conducts its budgeting. Such aspects are considered industry specific, given the recognized low financial expertise at unit level (Burgess 2006) in the industry.

Previous research in this area was acknowledged as limited. This research has, where possible drawn comparisons to previous research, both generic and hospitality applied. This research has added to knowledge by being able to reconfirm that some previous research findings are still valid, but has also added to knowledge by refuting some previous research claims. In addition a number of aspects covered have no directly comparable previous empirical research findings, thus this study provides the first hospitality industry applied evidence.

Research Methodology and Methods used

The rationale for the methodological stance adopted is well documented in Chapter 3. Likewise detailed discussions of the specific research methods used are given in Chapters 5, 8, and 11. This section is therefore a reflection on whether the approach adopted has been successful in meeting the aim and objectives of this research project.

It was evident that many methodological approaches are used and accepted in management accounting research. Equally, combining approaches and methods provides triangulation for the research, and can lead to better understanding as an outcome. Given this, the overriding methodological stance adopted was interpretive. Epistemologically this fits with developing new theory from the consideration of existing theory and meanings in practice (industry actors). Ontologically this fits with Scapens (2006)

practical dimension, 'making sense of practice'. Interpretive research is focused on enriching understanding of empirical phenomena and it must be recognized not every organization will 'fit in the box'.

Whilst being interpretive the research drew heavily on the notion of 'corpus' as it developed a body of knowledge concerning the subject of budgeting. Whilst a corpus based approach is not common within management accounting research, it allows for the systematic treatment of data and has aided the achievement of the specific research objectives set. Specifically, it has allowed the variety within the corpus to be identified and explored. The corpus has provided the 'body of knowledge' and the interpretive approach has allowed the corpus to be interrogated to identify meaning.

Different objectives led to the need for different research methods to be used at different stages of the research project. This ensured that at each stage the best 'fit for purpose' was achieved and triangulation of results was possible. A detailed, systematic review of textbooks was essential in meeting the research aim. Although little used in hospitality or management accounting research, a content analysis was viewed as the best approach to establishing a textbook corpus and ascertaining 'normative' theory. Whilst issues arose concerning textbook availability, which led to significant time delays a satisfactory corpus was developed. Content analysis is still considered the most appropriate research method in meeting the specific objectives of this research.

The survey method used to collect data from industry proved successful, with a good response rate achieved. The timing of the initial mailing may have been an issue for some organizations, but the follow-up mailing with BAHA endorsement improved the overall response rate significantly. The volume of individuals willing to be further involved in the study was limited, which was an issue with the final data collection phase of the research. Although adequate data was achieved, both semi-structure interviews and questionnaires had to be used to maximize data collection, which is not ideal. Telephone interviews are still considered the most appropriate method for eliciting the information required, as this maintained anonymity whilst allowing the research to probe answers given, which is not possible in a written questionnaire. Another possible approach would be through the use of focus groups, which may have been possible through BAHA meetings. Given the nature of the project, the corpus approach adopted and the geographic spread of participants it is not felt such an approach would have improved the results achieved.

The methodological approach adopted is not one routinely used within management accounting or hospitality applied research. As such, the methodological approach and research process have in themselves made a contribution to knowledge.

Model of Positive Theory

In developing new positive theory, judgements are made concerning normative theory and industry practice. Positive theory is *informed* by practice, but is far more than a statement of current practice. As Drury and Dugdale (1992) identify, practice identifies the 'current state', but theory should represent the 'desired state'. In the research questions posed in Chapter 4, the question of whether 'normative theory' is of practical use within the hospitality industry was raised. The development of positive theory identifies incidences were normative theory and practice are in line, but also highlights other aspects where normative theory and practice differ.

A 'normative' theoretical model would assume 'theory' is correct and 'practice' is wrong, but this is not the case in developing 'positive' theory. Through critically reviewing the underpinning rationale for practice in some incidences industry practice has been rationalized as appropriate as part of positive theory. Examples include, when budgets are started, the information used in setting budgets, and the use of budgets as a performance measure. However in critically reviewing the underpinning rationale for practice in other incidences the evidence suggests industry practice is best reviewed or amended. For example, industry agree with normative theory that participation is essential in managers' acceptance of the budget, but practice does not show full participation, particularly at lower management levels. In such an example positive theory suggests the industry needs to reconsider

its position and possibly implement training to overcome the given rationale for low participation at some management levels.

Thus, the positive theory developed is not the same as industry practice or normative theory. It is a development of existing theory informed by previous theory, industry practice and the rationale for such practice.

Contribution to Knowledge

This study has provided a new insight into budgeting within the hospitality industry. It has added to knowledge, both in relation to the specific topic under investigation, budgeting, and by the nature of the process used for the investigation.

By investigating both normative theory *and* hotel industry practice the study has been able to identify where there is divergence and where normative theory and practice converge. Whilst previous hospitality studies have focused on one aspect, generally industry practice, it is the insight of in depth investigation of both normative theory and industry practice that is the strength of this study and makes it such a contribution to knowledge in this area.

The development of the model of positive theory provides a contribution to knowledge in this subject area. This study has developed 'new theory', which has drawn on 'normative' theory, industry practice and the rationale for

practice in order to provide a model of positive theory. Such 'positive' theory development has not been undertaken in this field of study before. Thus the development of positive theory is a contribution, both in subject related terms and in terms of the research process undertake to achieve this outcome.

In methodological terms the research has focused on what 'best fits' the research purpose and in doing so it has not followed the methodological approaches adopted by previous studies. The approach has been appropriate, but also novel and allowed for interesting triangulation within the research to take place. A corpus based approach has been used alongside interpretative research, but within the research both normative and positivistic aspects of theory have been explored. This interesting triangulation of theoretical stances has allowed the study to gain a deeper insight into the subject of budgeting, both from a theoretical and industry perspective.

Application of Research Findings

Within Scapens (2006) 'practical dimensions' he considers the current (and future) role of management accounting research as 'helping practioners'. This development of positive theory, informed by an understanding of practice allows the results to be used to develop industry practice. During the research process, summary survey details were made available to those taking part and also published within the BAHA Times. This allows those in industry to compare their own current practice with that identified in other hospitality organizations based in the UK. The positive theory developed in

Chapter 13 provides some specific aspects of budgeting where industry needs to reconsider current practice, such as in relation to the level of participation in budgeting and the routine review of budgetary procedures. In addition to this, the financial training needs of non-financial managers, specifically at lower levels in organizations is identified. Such data can be used to provide industry specific training programmes for such managers. Wider dissemination of these findings to industry is important and is best achieved through working with professional bodies such as BAHA and the HCIMA, who have a role to play in the interface between research and management practice in industry. Dissemination through the hospitality management educational curriculum also feeds into industry through future industry managers.

From an academic perspective, the results prove useful for teaching purposes and future research into the area, providing information concerning normative theory, industry practice and the rationale for current practice in addition to the positive theory developed. The results can be used to enhance students understanding of hospitality applied budgeting both at undergraduate and postgraduate levels. The research approach adopted may be of interest to future researchers in the subject area, offering a different and novel approach to future research.

In addition to previous publications and conference papers (Jones 2003, 2004, 2006), wider dissemination in the academic community will be sort through academic publication and conference papers, both related to the

subject of budgeting and the methodological stance taken. These findings are important to the subject area, dissemination has taken place through book chapters and conference papers during the process of the investigation. Such dissemination has already concerned the use of content analysis in establishing 'normative' theory and related to industry practice. Further dissemination is essential, particularly in relation to the positive theory developed and the research process adopted.

Research Limitations

However complete, all research has its limitations and this project is no exception. Covaleski et al (2003) argue that budgeting incorporates practically every aspect of management accounting as it encompasses elements of performance measurement, cost accounting, responsibility accounting, and managers' remuneration. This is further supported by Luft and Shields' (2003) mapping of management accounting empirical research, which clearly shows links between budgeting research and other aspects of management accounting research.

The core of this research project is budgeting, so whilst it includes performance measurement, for example, this is in relation to budgets role as a performance measure and not a full investigation of performance measures per se. The integrated nature of management accounting and how it relates to organizational structures, operational management and strategic management means there can be no clear boundary drawn for research into

budgeting. By its nature, budgeting is inherently linked to other aspects of management accounting and management within organizations, so the boundaries of any research can be viewed as artificial in many respects. So whilst budgeting cannot be considered in isolation to other research areas, boundaries need to be drawn in order to provide depth of focus to the research.

As previously mentioned, the availability of some textbooks and willing interviewees proved a limitation to the study. Every effort was made to minimize the impact of this, through the use of COPAC and a postal interview questionnaire respectively. In a corpus based approach the focus is on 'maximizing variety' within the corpus and sampling in the traditional representative sense is not emphasized in corpus based research. In this respect the limitations to the study are minimized.

As identified by Scapens (2006) and Ryan, Scapens and Theobald (2002) management accounting research is not static and develops over time. This research is based on a 'snap-shot' of contemporary practice and normative theory portrayed in textbooks, both of which may change in the future. However, by comparing research results to previous studies, patterns can be identified: for example the training needs of non-financial managers in the hospitality industry was identified by Kosturakis and Eyster (1979) and is verified as still being an issue by this current study. Previous empirical findings, particularly Jones (1997d) have allowed this research to draw comparisons and consider developing trends. As this research provides the

first insight into some aspects of budgeting, for example developing normative theory through a systematic content analysis of textbooks, there are no previous findings with which to draw comparisons. Given this, some aspects can only be viewed as a 'snap-shot', but in itself this is valuable research, which does develop knowledge and understanding of budgeting.

Whilst comparisons are drawn with other empirical research findings, both hospitality applied and studies in other industries, the number of previous studies undertaken and their focus limits this. Thus limited comparisons can be drawn to other industries for some aspects of budgeting, due to the limited previous empirical research available.

Areas for Future Research

Whilst this research has achieved the research aim and objectives set it also raises areas for future and continued research into budgeting. These include:

- The budgets link with other performance measures;
- The influence of external stakeholders on management accounting processes;
- The value of further qualitative research into hospitality budgeting practice;
- Follow-up research to provide longitudinal data as to changes in normative theory and industry practice over time;
- Research into budgeting in other sectors of the hospitality industry;
- A comparative study across different industries;
- Detailed investigation into budgetary participation in the hospitality industry; and

- Comparative study into budgeting in different countries.

Budgets link with other performance measures

Budgets were viewed as the main, or one of a few key performance indicators within the research with the industry. There is much interest in the area of performance measurement and how these are used in the hospitality industry. This research centred around budgeting, but highlights an interesting topic as to how budgets are used alongside other performance measures and any tensions that may exist between such performance measures. One such example is the weight given to performance against budget when using a 'balanced scorecard' approach. Another issue in this area is the use of budgets as a performance indicator where budgetary participation does not include full involvement in the budgeting process.

The influence of external stakeholders on management accounting

Within this study it was evident that external stakeholders, in the form of banks and debt providers, influenced the budgeting process. Management accounting is defined as accounting for internal management use, but this study has shown how an external stakeholder has influenced the budgeting process. This raises the question as to the extent that external factors influence management accounting techniques adopted more widely within organizations and is an area that could be explored further.

Further qualitative research into hospitality budgeting practice

At the outset of this study it was identified previous hospitality applied surveys of budgeting practice had taken place, mainly in the USA, but such research had identified the need for further research to look at the reasons behind the practice identified. This research has taken that additional step through the follow-up in depth interviews and questionnaires. However it has been recognized this is just a first step and there is room for further qualitative research work in this area to take place to add to the existing body of knowledge developed here.

Changes in normative theory and industry practice over time

As already stated, this study provides a 'snap-shot' in time. Scapens (2006) identifies to fully *understand* accounting practice we have to consider how practice changes over time. Whilst previous research does provide the opportunity to consider changes over time, this data is not complete and in some cases not directly comparable. Further content analysis and industry based data collection in the future would allow comparisons to be drawn and changes and developments over time to be explored more fully.

Budgeting in other sectors of the hospitality industry

This study has focused on the hotel sector and results for other sectors of the hospitality industry may draw interesting comparisons. The vast majority of previous hospitality applied budgeting research projects have focused on the hotel sector. This reflects the pattern of research more broadly in hospitality applied management accounting and finance research (Atkinson and Jones in press). Schmidgall and Ninemeier (1986, 1989) conducted some research into food-service budgeting and drew comparisons to their research into hotel budgeting, but no other comparative survey has been undertaken in the industry, and their research was USA based and is now two decades old.

Comparative study across different industries

Whilst it was possible to draw some comparisons to practice in other industries - for example, reasons for budgeting and usage of flexible budgets, data did not exist to allow a full comparison. Survey data collected at the same time, using the same questionnaire, across different industries would enable a better picture to be formed as to industry similarities and differences. This would enable comparisons between industries and broader sectors (service sector/manufacturing) to be drawn. Such research would clearly identify whether hospitality industry practice is comparable to other service industries and if there are any unique features to hospitality industry budgetary practices.

Budgetary participation in the hospitality industry

Both textbooks and industry agree that participation is important in managers' accepting their budget. However, the level of participation is shown to vary, particularly at the lower management levels in the hospitality industry. The difference in participation at different management levels is interesting in itself and warrants further investigation. The rationale put forward for the lack of participation was that responsibility and authority were at a higher level in the organization and that such managers simply did not have the financial expertise to develop a budget. The links between budgetary participation, financial management skills and responsibility accounting in the hospitality industry are worthy of detailed study.

Budgeting in different countries

Much of the previous hospitality applied budgetary research has been conducted in the USA, with only one study (Schmidgall, Borchgrevink & Zahl-Begnum 1996) specifically drawing comparisons between two countries. Whilst the current study has sought to draw comparisons, where possible, with previous research findings these are not always directly comparable, due to the number of variables. Firstly, studies were conducted at different times; secondly, they were administered separately; thirdly, questionnaires were different; and fourthly, topic coverage was not the same. When making comparisons, due to the number of variations between the studies, it makes clear conclusions difficult. Conducting an identical survey, at the same time and in different countries reduces the variation and readily allows for direct comparison.

The Research Journey

This thesis started by reviewing the researcher's, 'personal journey' in hospitality applied research up until the start of this research project and made comparisons to Scapens (2006) own reflections of changes and developments in research into management accounting over time. The outcomes of research include the journey undertaken to meet the final outcomes and are therefore as much about the *process* undertaken, as the final outcomes achieved.

Having already successfully completed a research degree and having a number of years academic experience in the subject area gave the confidence to explore alternative methodological approaches in this research. This research has widened the researcher's personal understanding of appropriate methodological approaches in the discipline and provided a catalyst to 'think outside the box'.

To be of value research needs to be shared and disseminated. Throughout the process thoughts and 'new understandings of knowledge' have been shared with industry, academic peers and with students through publications and teaching. This is an ongoing process, which does not end when conclusions are drawn from the research project.

Such doctoral research is a developmental milestone for a researcher, but should not be viewed as an 'end point'. To continue the personal research journey in the subject area, post-doctoral research and the continuation of being a 'research active' academic is important, thus the research journey continues in an ever changing environment.

Chapter Summary

The key research outcomes of this study form the model of positive theory of budgeting for hotels developed in Chapter 13. In reviewing the aim and objectives for the study it is concluded these have been successfully met and

remain true to those set at the beginning of the research project. The research framework, specifically methodological stance and methods used, provided triangulation of the results and allowed the corpus to be developed and interrogated to achieve the set aim and objectives.

A contribution to knowledge has been achieved, both in terms of the approach and methodology adopted and through the development of positive theory in relation to budgeting. The research findings have applications both in an academic and industry context, where they can assist in the development of knowledge and understanding and the development of industry practice.

All research has its limitations. Drawing a clear boundary for budgetary based research is difficult as budgets span many aspects of management accounting and have broader operational and strategic implications. The changing nature of research and practice over time means such research is only ever a 'snap-shot' in time. So whilst this research has added to existing knowledge and understanding of budgeting in hotels, there are many aspects still to be explored. Further investigation, amongst others, could provide longitudinal data to track changes over time, or be of a comparative nature comparing budgeting in hotels to other sectors of the hospitality industry, different industries or practice in different countries.

This research has given detailed consideration to operational budgeting in the context of UK based hotel organizations in relation to theory and provides

valuable data for continued research into this key aspect of management accounting in the future. Such continued research in the subject area is part of an ongoing research journey.

Appendices

Appendix 1

Coding Framework

Chapter 16 - The budgeting process

Stages in the Planning Process - p.435							
Sampled textbook:	Identifying objectives	Identifying potential strategies	Evaluation of strategic options	Select course of action	Implementation of long-term plans	Monitor actual outcomes & respond to divergences from plan	*Other general comments*
A Drury (31)	Covered in detail	Covered in detail	Covered in detail	Covered in detail	Covered in detail	Covered in detail	Coding Text

Why do we produce budgets? p.441							
Sampled textbook:	Planning	Coordination	Communication	Motivation	Control	Performance evaluation	*Other general comments*
A Drury	Covered in detail	Covered in detail	Covered in detail	Covered in detail	Covered in detail	Covered in detail	Coding text

Conflicting roles of budgets p.442		
Sampled textbook:	*No further breakdown*	*other general comments*
A Drury	Covered in detail	Coding text

The budget period p.442		
Sampled textbook:	*No further breakdown*	*Other general comments*
A	Covered in detail	Coding text

Administration of the annual budget p.443				
Sampled textbook:	The budget committee	Accounting staff	Budget manual	*Other general comments*
A Drury	Covered in detail	Mentioned briefly	Covered in detail	Coding text

Stages in the budgeting process p.444									
Sampled textbook:	Communicating details of the budget policy	Determining the factor that restricts performance	Preparation of the sales budget	Initial preparation of budgets	Negotiation of budgets	Coordination and review of budgets	Final acceptance of the budgets	*Budget review*	*Other general comments*
A Drury	Covered in detail	Mentioned briefly	Covered in detail	Covered in detail	Covered in detail	Covered in detail	Mentioned briefly	Covered in detail	Coding text

A detailed illustration p.447												
Sampled textbook:	Sales budget	Production budget and budgeted stock levels	Direct materials usage budget	Direct materials purchase budget	Direct Labour budget	Factory overhead budget	Selling and administration budget	Departmental budgets	Master budget	Cash budgets	Final review	*Other general comments*
A Drury	Covered in detail	Covered in detail	Covered in detail	Covered in detail	Covered in detail	Covered in detail	Covered in detail	Covered in detail	Covered in detail	Covered in detail	Mentioned briefly	Coding text

Computerized budgeting p.455		
Sampled textbook:	*No further breakdown*	*Other general comments*
A Drury	Covered in detail	Coding text

The budgeting process in non-profit-making organizations p.455			
Sampled textbook:	Line item budgets	Planning, programming budgeting systems	*Other general comments*
A Drury	Covered in detail	Covered in detail	Coding text

Incremental and zero-base budgeting p.459		
Sampled textbook:	*No further breakdown*	*Other general comments*
A Drury	Covered in detail	Coding text

Only one section of Chapter 17 refers to budgets, other aspects of chapter not coded for these purposes

Flexible budgeting p.480								
Sampled textbook:	Budget formula	Performance reports	Variable costs vary with input	Allowance based on output	Standard hours produced	Analysis of variances into price and quantity effects	Influence of other factors	*Other general comments*
A Drury	Covered in detail	Covered in detail	Covered in detail	Covered in detail	Covered in detail	Covered in detail	Covered in detail	Coding text

Chapter 20 - Behavioural aspects of accounting control

The use of budgets as targets p.591				
Sampled textbook:	Aspiration levels	The effect of budget levels on performance	Conflicting roles of budgets	*Other general comments*
A Drury	Covered in detail	Covered in detail	Covered in detail	Coding text

The use of accounting control techniques for performance evaluation p.p595				
Sampled textbook:	The dysfunctional consequences of performance measures	Managerial accounting information in performance evaluations	The educational role of the accountant	*Other general comments*
A Drury	Covered in detail	Covered in detail	Covered in detail	Coding text

Partcipation in the budgeting and standard setting process p.599				
Sampled textbook:	Factors influencing participation	The influence of participation in the budget process	Conditions for effective participation in the budgeting process	*Other general comments*
A Drury	Covered in detail	Covered in detail	Covered in detail	Coding text

Bias in the budgeting process p.602		
Sampled textbook:	*No further breakdown*	*Other general comments*
A Drury	Covered in detail	Coding text

Management use of budgets p.604						
Sampled textbook:	Management's authority and responsibility must be clear	The managers must accept their budgets and consider them to be attainable	Budgetary control information must be understood by the managers	Training in budgetary control must be effective	Managers must understand the aim of budgetary information	*Other general comments*
A Drury	Covered in detail	Covered in detail	Covered in detail	Mentioned briefly	Covered in detail	Coding text

Appendix 2

Initial Global Books in Print List

List of possible generic and hospitality applied texts from Global Books in Print 13/1/98, Published from 1990 onwards

Sample code: M = Multiple author/edition; H = Hospitality; S = Single author/edition

Initial Sample	No.	Title	Author	Date	ISBN
M	1	Managerial Accounting: Concepts & Applications 7th Ed.	Albrecht & Skousen, K. Fred	DNS	0538-876271
	2	Management Accounting: A Conceptual Approach	Amev, Lloyd R & Egginton, Don A	Date not set	0317-27726X
M	3	Managerial Accounting 8th Ed.	Anderson	1992	0-538-81327-X
	4	Strategy & Management Accounting	Ansari, S, Bell, J, Klammer, P & Keefe, M (Irwin, R?)	1996	0-256-23788-3
	5	Finance Management	Apilado, Vincent	DNS	0314-347062
	6	Accounting for Management Decisions	Arnold, John and Turley, Stuart	1996	0-13-308818-9
M	7	Management Accounting for Non-Specialists	Atrill, Peter & McLaney	1995	0-13-376724-8
	8	Management Accounting	Atrill, Peter & McLaney, Eddie	1994	0-631-19538-6
	9	Management Decisions & Financial Accounting	Baginski	DNS	0538-840862
M	10	Management Accounting, 9th Ed.	Banker	1996	0-13-255761-4
	11	Management Accounting	Barfield, R	1993	0-314-01273-7
	12	Cost Managerial Accounting	Boedigheimer, M & Stevens, F	1995	1-56226-278-5
	13	Management Accounting: Strategy & Control	Brandon, Charles H & Drtina, Ralph E	1996	0-07-017853-4
	14	Essentials of Managerial	Brigham, Eugene	1990	003-0307333+
	15	Cost & Management Accounting I	Brown, C. E., & Swanepoel, M J	1994	0-7021-3218-7
	16	Cost & Management Account	Burch	DNS	0314-033270
	17	Cost & Management Accounting: A Modern Approach	Burch, John G, Edited by Horan	1993	0-314-02773-4
	18	The Essence of Management Accounting, 1st Ed.	Chadwick, Leslie	1993	0-13-284811-2
	19	Managerial Accounting	Chow	DNS	0538-827432
	20	The New Management Accounting	Christopher, William F	1997	1-56052-444-8
	21	Hospitality Management Accounting, 5th Ed.	Coltman, M	1993	0-442-01655-7
M, H	22	Hospitality Management Accounting, 6th Ed.	Coltman, M	1997	0-442-02579-3
M	23	Managerial Accounting	Copeland, Ronald; Dascher, Paul; & Strawser	1990	087393-1068+
	24	Managing Accounting for Business	Crowther, David	1996	0-7487-2246-7
M	25	Financial Management & Decision Making, 3rd Ed.	Davey, Howard & Vos. Ed.	1993	0-409-79043-5
	26	Finance & Accounting for Managers	Davies, David	1994	0-85292-527-1
	27	Managerial Uses of Accounting Information	Demski, Joel	1993	0-7923-9406-2
M	28	Managerial Accounting, 7th Ed.	Dominiak	1997	0-538-85612-2
	29	Managerial Accounting, 7th Ed,??	Dominiak,	1994	0-538-82534-0

			Geraldine & Louderback III, Joseph		
M	30	Finance & Accounting for Non-financial Managers 3rd Ed.	Droms, William	1990	0201-550377
	31	Management & Cost Accounting 3rd Ed.	Drury, Colin	1994	0-412-46400-4
M	32	Management Accounting for Business Decisions	Drury, Colin	1997	1-86152-102-2
	33	Management & Cost Accounting 4th Ed.	Drury, Colin	1996	0-412-73360-9
	34	Standard Costing	Drury, Colin	1992	012-2223551+
	35	Management Accounting for Food Service Skillbook	Educational Foundation of the National Restaurant Association Staff	1992	0-915452-95-2
M	36	Principals of Financial & Managerial Accounting 2nd Ed.	Edwards, James (& Irwin, Richard?)	1993	0-256-13001-9
M	37	Managerial Accounting, 3rd Ed.	Engler, Calvin (& Irwin, Richard?)	1992	0256-113505
	38	Advances in Management Accounting Vols. 1 - 5	Epstein, Marc & Poston	1992	1-55938-420-4
	39	Perspectives on Financial Control: Essays in memory of Kenneth Hilton	Ezzamel, Mahmoud & Heathfield, David F	1992	0412-409801+
	40	Managerial Cost Accounting: Planning & Control	Ferrara, William; Dougherty, Frank; and Boer, Germain	1991	087393-1211
M	41	Managerial Accounting, 5th Ed.	Fess, Philip & Warren, Carl S	1997	0-538-85342-5
	42	Managerial Accounting, 3rd Ed.	Fess, Philip, Warren, Carl & Reeve, James M	1994	0-538-82185-X
	43	Finance & Accounting for Nonfinancial Managers	Finkler, Steven	1996	0-13-547259-8
	44	Accounting for Business Management	Fleming, Iain and McKinstry, Sam	1991	0415-091063+
	45	Management Accounting: Decision Making	Fox, R	1991	07506-00357
M	46	Managerial Accounting 8th Ed.	Francia, Arthur	1990	087393-105X+
M	47	Managerial Accounting, 8th Ed.	Garrison, Ray H, Noreen, Eric (& Irwin, Richard D?)	1996	0-256-16917-9
	48	Managerial Accounting, 7th Ed.	Garrison, Ray H, Noreen, Eric (& Irwin, Richard D?)	1994	0-256-18178-0
	49	Managerial Accounting, 7th Ed.??	Garrison, Ray & Noreen, Eric (& Irwin, Richard D?)	1993	0-256-13029-9
	50	Managerial Accounting 6th Ed.	Garrison, Ray (& Irwin, Richard D?)	1991	0256-113106
	51	Managerial Accounting: Concepts for	Garrison, Ray &	1990	0256-081204+

		Planning, Control, Decision Making	Irwin, Richard D		
M	52	CMA Review 2 vols. Vol. Set 7th Ed.	Gleim, Irvin & Flesher, Dale	1996	0-917537-84-X
	53	Accounting for Managers	Glynn, J., Murphy, M & Perrin, J	1994	0-412-43640-X
M	54	Managerial Accounting: Concepts & Empirical Evidence, 2nd Ed.	Gordon	1994	0-07-024089-2
M	55	A Managerial Accounting Primer: Corporate Approach 2nd Ed.	Hampton, Clo	1996	0-7872-1935-5
M	56	Management Accounting	Hansen	1997	0538-856300+
	57	Financial & Management Accounting, 4th Ed.	Hansen, Warren Carl S, Diamond & Reeve James M	1994	0-538-83338-6
	58	Management Accounting, 3rd Ed.	Hansen	1994	0-538-82960-5
	59	Cost Management: Accounting & Control	Hansen, Don R & Mowen, M	1995	0-538-83227-4
	60	Principles of Financial & Managerial Accounting	Hanson	1996	0-03-010514-5
M, H	61	Managerial Accounting in the Hospitality Industry (title amended but 5th Ed.)	Harris, Peter And Hazzard, Peter	1992	07487-15673+
	62	Management Accounting: A Strategic Approach	Hartgraves, Al J, Davis, James R & Morse, Wayne J	1996	0-538-84435-3
M	63	Principles of Financial & Managerial Accounting, 2nd Ed.	Hermanson, R, Edwards, J & Maher, M	1993	0-256-13000-0
M	64	Managerial Accounting 3rd Ed.	Hilton, Ronald	1993	0-07-028987-5
M	65	Advanced Management Accounting, 2nd Ed.	Hirsch	1994	0-538-82535-9
M	66	Introduction to Management Accounting	Horngren, Charles	1996	0-13-251703-5
	67	Introduction to Management Accounting, 10th Ed.	Horngren, Charles	1995	0-13-205535-X
	68	Principles of Financial & Management Accounting: A Corporate Approach	Horngren, Charles; Harrison, Jr, Walter; & Robinson, Michael	1994	0-13-037748-1
M	69	Managerial Accounting: Information for Decisions	Ingram, Robert, Albright, Thomas L & Hill, John W	1997	0-538-86717-5
	70	Financial Accounting: Information for Decisions, 2nd. Ed.	Ingram, Robert	1996	0-538-85134-1
	71	Financial Accounting: Inf Information for Decisions	Ingram, Robert	1994	0-538-82702-5
	72	Accounting: Information for Decisions	Ingram, Robert	DNS	0538-815523+
M	73	Management Accountants' Handbook, 4th Ed.	Keller, D, Bulloch, J & Shultis, R	1992	0-471-51408-X
	74	Management Accounting	Ketz, J. Edward; Campbell, Terry; Baxendale, Sidney J	1991	015-5546678
	75	Auditing, Assurance & Control for Managers	Kinney	1997	0-256-22161-8
M	76	A Focus on Decision Making, 2nd Ed.	Knapp	1998	0538-876581-1

	77	Financial Accounting: A Focus on Decision Making	Knapp, Michael C	1996	0-314-06345-5
	78	Introduction to Management Accounting	Langenderfer, H, Albrecht & Skousen	1993	0-538-83696-2
	79	Fundamentals of Financial & Managerial Accounting	Larson, Kermit (& Irwin, Richard??)	1993	0-256-15502-X
M	80	Managerial Accounting, 6th Ed.?	Maher	1997	0-03-018207-7
	81	Managerial Accounting, 6th Ed.	Maher, Michael W	1996	0-03-018193-3
	82	Managerial Accounting: An Introduction to Concepts, Methods & uses, 5th Ed.	Maher, Michael; Stickney, Clyde: & Weil, Roman L	1991	015-5547682+
	83	Introduction to Management Accounting	May & McDonald	1995	0-538-84499-X
M	84	Management Accounting: A Strategic Approach	Morse & Davis	1996	0-538-84491-4
	85	Managerial Accounting	Morse, Dale (& Irwin, Richard D?)	1996	0-256-18955-2
	86	Management Accounting for Decision-makers	Mott, Graham	991	0273-033182+
M	87	Managerial Accounting 4 Vols.	Needles, Belverd	1995	0-395-74567-5
	88	Financial Management Accounting 3 Vols.	Needles, Belverd	1993	0-395-67693-2
M	89	Modern Management Account 2nd Ed.	Nelson, A. Thomas & Miller, Paul, B	Date not available	07837-65495
	90	Accounting for Management	Otley, David	1990	0412-374803+
M	91	Managerial Accounting	Raiborn	DNS	0538-885122+
	92	Managerial Accounting 2nd Ed.	Raiborn, Cecily A, Barfield, Jesse T & Kinney, Michael R	1996	0-314-05826-5
	93	Management Accounting	Raiborn, Cecily A, Barfield & Kinney. Edited by Leyh	1993	0-314-01169-2
M	94	Cost Accounting: Using a Cost Management Approach 6th Ed.	Rayburn, Letricia	1995	0-256-17480-6
M	95	Financial Analysis, 2nd Ed.	Rees, Bill	1995	0-13-288283-3
M	96	Principle of Financial & Managerial Accounting, 5th Ed.	Reeve, James & Warren, Carl S	1997	0-538-85309-3
	97	Managerial Accounting, 3rd Ed.	Reeve, James	1994	0-538-82186-8
	98	The Essentials of Cost & Managerial Accounting I	Research & Education Association Staff	1994	0-87891-664-4
	99	The New Foundations of Management Accounting	Righi-Belkaou, Ahmed	1992	089930-7000+
M	100	The Executive's Guide to Management Accounting & Control Systems 4th Ed.	Rotch, William; Allen, Brandt R; & Smith, C Ray	1991	087393-1203
M, H	101	Hospitality Industry Managerial Accounting, 4th Ed.	Schmidgall, R	1997	0-86612-149-8
	102	Hospitality Industry Managerial Accounting, 3rd Ed.	Schmidgall, R	1994	0-86612-086-6

	103	Managerial Accounting for the Hospitality Industry, 3rd Ed.	Schmidgall, R	1994	0-86612-087-4
	104	Strategic Cost Management: The New Tool for Competitive Advantage	Shank, John K & Govindarajan, Vijay	1993	0-02-912651-7
M	105	Advanced Cost Accounting: Processing, Developing & Analyzing Financial & Cost Data for Management	Shim, Jae K., edited by Henteleff, N	1998 (97?)	1-882312-09-0
	106	Modern Cost Management & Analysis	Shim, Jae K. & Siegel, Joel G	1992	08120-46714
	107	Management Accounts: How to use them to control your business	Skone, Tony	1995	0-566-07483-4
	108	Strategic Management Accounting: Text & Cases	Smith, Malcom	1996	0-7506-3097-3
M	109	Managerial Accounting 9th Ed.	Sollenberger, Harold M & Schneider, Arnold	1996	0-538-84282-2
M	110	Cost Management Accounting	Stevens, Flumo	1995	1-56226-258-0
	111	Managerial Accounting	Stevens, Flumo	1994	1-56226-196-7
	112	Theory of Accounting & Control	Sunder, Shyam	1997	0-538-86686-1
M	113	The Accounting Model, 2nd Ed.	Thomsen, C. T	1991	1879024-004
	114	Fundamentals of Management Accounting	Tracy, John A	Date not available	0317-286447
M	115	Accounting for Managers: An Introduction to Financial & Management Accounting, 3rd Ed.	Uliana, E. & Marcus, D	1990	07021-23595+
M	116	Strategic Management Accounting	Ward, Keith & Srikanthan, Sri	1992	07506-01108+
	117	Management Accounting for Financial Decisions	Ward, Keith; Srikanthan, Sri & Neal, Richard G	1991	07506-00675+
	118	Financial & Management Accounting: An Introduction	Weetman, Pauline	1996	0-273-60293-4
M	119	Essentials of Managerial Finance, 11th Ed.	Weston, J. Fred	1995	0-03-016027-8
	120	Cost & Management Accounting	Williamson, Duncan	1996	0-13-205923-1
M	121	Managerial Accounting: Method & Meaning, 2nd Ed.	Wilson & Chaua, Wai F	1992	0412-436108+
	122	Strategic Cost Management	Wilson, Richard	1997	1-85521-581-0
	123	Management Accounting	Wright, David	1996	0-582-26253-4

Appendix 3

Final Global Books in Print List, noting amendments

List of possible generic and hospitality applied texts from Global Books in Print 13/1/98, Published from 1990 onwards

Sample code: M = Multiple author/edition; H = Hospitality; S = Single author/edition

Final Sample	Initial Sample	No.	Title	Author	Date	ISBN	Notes & Comments
	M	1	Managerial Accounting: Concepts & Applications 7th Ed.	Albrecht & Skousen, K. Fred	DNS	0538-876271	Requested, but not available for Inter-library loan.
		2	Management Accounting: A Conceptual Approach	Amev, Lloyd R & Egginton, Don A	Date not set	0317-27726X	Requested, but not available for Inter-library loan.
M	M	3	Managerial Accounting 8th Ed.	Anderson	1992	0-538-81327-X	Authors Anderson & Sollenberger
		4	Strategy & Management Accounting	Ansari, S, Bell, J, Klammer, P & Keefe, M (Irwin, R?)	1996	0-256-23788-3	Requested, but not available for Inter-library loan.
		5	Finance Management	Apilado, Vincent	DNS	0314-347062	
S	S	6	Accounting for Management Decisions	Arnold, John and Turley, Stuart	1996	0-13-308818-9	
M	M	7	Management Accounting for Non-Specialists	Atrill, Peter & McLaney	1995	0-13-376724-8	
		8	Management Accounting	Atrill, Peter & McLaney, Eddie	1994	0-631-19538-6	
		9	Management Decisions & Financial Accounting	Baginski	DNS	0538-840862	
M	M	10	Management Accounting, 9th Ed.	Banker	1996	0-13-255761-4	Text sent was 2nd Ed. 1997, GBP record error?
		11	Management Accounting	Barfield, R	1993	0-314-01273-7	
		12	Cost Managerial Accounting	Boedigheimer, M & Stevens, F	1995	1-56226-278-5	Requested, but not available for Inter-library loan.
S		13	Management Accounting: Strategy & Control	Brandon, Charles H & Drtina, Ralph E	1996	0-07-017853-4	
M		14	Essentials of Managerial Finance	Brigham, Eugene	1990	003-0307333+	Authors Brigham & Weston, earlier Ed. of No. 119

S		15	Cost & Management Accounting I	Brown, C. E., & Swanepoel, M J	1994	0-7021-3218-7	COPAC states 1991, author Brown only
S	S	16	Cost & Management Account	Burch	DNS	0314-033270	COPAC shows date as 1994
		17	Cost & Management Accounting: A Modern Approach	Burch, John G, Edited by Horan	1993	0-314-02773-4	
M	S	18	The Essence of Management Accounting, 1st Ed.	Chadwick, Leslie	1993	0-13-284811-2	Multiple author, title, Management Accounting
		19	Managerial Accounting	Chow	DNS	0538-827432	
S	S	20	The New Management Accounting	Christopher, William F	1997	1-56052-444-8	Actual date on text 1998
		21	Hospitality Management Accounting, 5th Ed.	Coltman, M	1993	0-442-01655-7	
M, H	M, H	22	Hospitality Management Accounting, 6th Ed.	Coltman, M	1997	0-442-02579-3	
	M	23	Managerial Accounting	Copeland, Ronald; Dascher, Paul; & Strawser	1990	087393-1068+	Requested, but not available for Inter-library loan.
		24	Managing Accounting for Business	Crowther, David	1996	0-7487-2246-7	Requested, but not available for Inter-library loan.
	M	25	Financial Management & Decision Making, 3rd Ed.	Davey, Howard & Vos. Ed.	1993	0-409-79043-5	Requested, but not available for Inter-library loan.
		26	Finance & Accounting for Managers	Davies, David	1994	0-85292-527-1	
S		27	Managerial Uses of Accounting Information	Demski, Joel	1993	0-7923-9406-2	Actual date 1994
M	M	28	Managerial Accounting, 7th Ed.	Dominiak	1997	0-538-85612-2	8th Ed. Authors, Dominiak & Louderback
		29	Managerial Accounting, 7th Ed,	Dominiak, Geraldine & Louderback III, Joseph	1994	0-538-82534-0	
	M	30	Finance & Accounting for Non-financial Managers 3rd Ed.	Droms, William	1990	0201-550377	Requested, but not available for Inter-library loan.
Coding Text		31	Management & Cost Accounting 3rd Ed.	Drury, Colin	1994	0-412-46400-4	Edition 1992, reprinted 1994 & 1995
M	M	32	Management Accounting for Business Decisions	Drury, Colin	1997	1-86152-102-2	
		33	Management & Cost Accounting 4th Ed.	Drury, Colin	1996	0-412-73360-9	

		34	Standard Costing	Drury, Colin	1992	012-2223551+	
		35	Management Accounting for Food Service Skillbook	Educational Foundation of the National Restaurant Association Staff	1992	0-915452-95-2	Requested, but not available for Inter-library loan.
	M	36	Principals of Financial & Managerial Accounting 2nd Ed.	Edwards, James (& Irwin, Richard?)	1993	0-256-13001-9	Requested, but not available for Inter-library loan.
	M	37	Managerial Accounting, 3rd Ed.	Engler, Calvin (& Irwin, Richard?)	1992	0256-113505	Requested, but not available for Inter-library loan.
		38	Advances in Management Accounting Vols. 1 - 5	Epstein, Marc & Poston	1992	1-55938-420-4	Multiple author, but not available
		39	Perspectives on Financial Control: Essays in memory of Kenneth Hilton	Ezzamel, Mahmoud & Heathfield, David F	1992	0412-409801+	
		40	Managerial Cost Accounting: Planning & Control	Ferrara, William; Dougherty, Frank; and Boer, Germain	1991	087393-1211	Requested, but not available for Inter-library loan.
	M	41	Managerial Accounting, 5th Ed.	Fess, Philip & Warren, Carl S	1997	0-538-85342-5	Same text as No. 96
		42	Managerial Accounting, 3rd Ed.	Fess, Philip, Warren, Carl & Reeve, James M	1994	0-538-82185-X	Requested, but not available for Inter-library loan. Date possibly 1992.
M		43	Finance & Accounting for Nonfinancial Managers	Finkler, Steven	1996	0-13-547259-8	Thought to be single category, as know edition shown. 2nd edition 1992 only edition available
		44	Accounting for Business Management	Fleming, Iain and McKinstry, Sam	1991	0415-091063+	
S		45	Management Accounting: Decision Making	Fox, R	1991	07506-00357	Date 1990
	M	46	Managerial Accounting 8th Ed.	Francia, Arthur	1990	087393-105X+	

M	M	47	Managerial Accounting, 8th Ed.	Garrison, Ray H, Noreen, Eric (& Irwin, Richard D?)	1996	0-256-16917-9	Date 1997? Only 9th (2000) edition available
		48	Managerial Accounting, 7th Ed.	Garrison, Ray H, Noreen, Eric (& Irwin, Richard D?)	1994	0-256-18178-0	
		49	Managerial Accounting, 7th Ed.??	Garrison, Ray & Noreen, Eric (& Irwin, Richard D?)	1993	0-256-13029-9	
		50	Managerial Accounting 6th Ed.	Garrison, Ray (& Irwin, Richard D?)	1991	0256-113106	
		51	Managerial Accounting: Concepts for Planning, Control, Decision Making	Garrison, Ray & Irwin, Richard D	1990	0256-081204+	
	M	52	CMA Review 2 vols. Vol. Set 7th Ed.	Gleim, Irvin & Flesher, Dale	1996	0-917537-84-X	Requested, but not available for Inter-library loan.
		53	Accounting for Managers	Glynn, J., Murphy, M & Perrin, J	1994	0-412-43640-X	Requested, but not available for Inter-library loan. Date possibly 1995.
	M	54	Managerial Accounting: Concepts & Empirical Evidence, 2nd Ed.	Gordon	1994	0-07-024089-2	Requested, but not available for Inter-library loan. Date possibly 1995.
	M	55	A Managerial Accounting Primer: Corporate Approach 2nd Ed.	Hampton, Clo	1996	0-7872-1935-5	Requested, but not available for Inter-library loan.
M	M	56	Management Accounting	Hansen	1997	0538-856300+	Only 2nd Ed. 1992 available
		57	Financial & Management Accounting, 4th Ed.	Hansen, Warren Carl S, Diamond & Reeve James M	1994	0-538-83338-6	Earlier edition of text No. 96
		58	Management Accounting, 3rd Ed.	Hansen	1994	0-538-82960-5	
		59	Cost Management: Accounting & Control	Hansen, Don R & Mowen, M	1995	0-538-83227-4	

		60	Principles of Financial & Managerial Accounting	Hanson	1996	0-03-010514-5	
M, H	M, H	61	Managerial Accounting in the Hospitality Industry (title amended but 5th Ed.)	Harris, Peter And Hazzard, Peter	1992	07487-15673+	
		62	Management Accounting: A Strategic Approach	Hartgraves, Al J, Davis, James R & Morse, Wayne J	1996	0-538-84435-3	Same text as No. 84
	M	63	Principles of Financial & Managerial Accounting, 2nd Ed.	Hermanson, R, Edwards, J & Maher, M	1993	0-256-13000-0	Requested, but not available for Inter-library loan.
M	M	64	Managerial Accounting 3rd Ed.	Hilton, Ronald	1993	0-07-028987-5	Actually 1997
	M	65	Advanced Management Accounting, 2nd Ed.	Hirsch	1994	0-538-82535-9	Requested, but not available for Inter-library loan.
M	M	66	Introduction to Management Accounting	Horngren, Charles	1996	0-13-251703-5	11th Ed. dated 1999
		67	Introduction to Management Accounting, 10th Ed.	Horngren, Charles	1995	0-13-205535-X	
		68	Principles of Financial & Management Accounting: A Corporate Approach	Horngren, Charles; Harrison, Jr, Walter; & Robinson, Michael	1994	0-13-037748-1	
	M	69	Managerial Accounting: Information for Decisions	Ingram, Robert, Albright, Thomas L & Hill, John W	1997	0-538-86717-5	Requested, but not available for Inter-library loan.
		70	Financial Accounting: Information for Decisions, 2nd. Ed.	Ingram, Robert	1996	0-538-85134-1	
		71	Financial Accounting: Information for Decisions	Ingram, Robert	1994	0-538-82702-5	
		72	Accounting: Information for Decisions	Ingram, Robert	DNS	0538-815523+	Date 1999
	M	73	Management Accountants' Handbook, 4th Ed.	Keller, D, Bulloch, J & Shultis, R	1992	0-471-51408-X	Requested, but not available for Inter-library loan.
S		74	Management Accounting	Ketz, J. Edward;	1991	015-5546678	

				Campbell, Terry; Baxendale, Sidney J			
		75	Auditing, Assurance & Control for Managers	Kinney	1997	0-256-22161-8	
	M	76	A Focus on Decision Making, 2nd Ed.	Knapp	1998	0538-876581-1	Requested, but not available for Inter-library loan.
		77	Financial Accounting: A Focus on Decision Making	Knapp, Michael C	1996	0-314-06345-5	
		78	Introduction to Management Accounting	Langenderfer, H, Albrecht & Skousen	1993	0-538-83696-2	Requested, but not available for Inter-library loan.
		79	Fundamentals of Financial & Managerial Accounting	Larson, Kermit (& Irwin, Richard??)	1993	0-256-15502-X	
M	M	80	Managerial Accounting, 6th Ed.	Maher	1997	0-03-018207-7	International Ed. As No. 81
		81	Managerial Accounting, 6th Ed.	Maher, Michael W	1996	0-03-018193-3	USA Ed.? As No. 80
		82	Managerial Accounting: An Introduction to Concepts, Methods & uses, 5th Ed.	Maher, Michael; Stickney, Clyde: & Weil, Roman L	1991	015-5547682+	
		83	Introduction to Management Accounting	May & McDonald	1995	0-538-84499-X	
M	M	84	Management Accounting: A Strategic Approach	Morse & Davis	1996	0-538-84491-4	Same as No. 62. 2nd Ed. 2000
		85	Managerial Accounting	Morse, Dale (& Irwin, Richard D?)	1996	0-256-18955-2	
		86	Management Accounting for Decision-makers	Mott, Graham	1991	0273-033182+	
	M	87	Managerial Accounting 4 Vols.	Needles, Belverd	1995	0-395-74567-5	Requested, but not available for Inter-library loan.
		88	Financial Management Accounting 3 Vols.	Needles, Belverd	1993	0-395-67693-2	Requested, but not available for Inter-library loan.
	M	89	Modern Management Account 2nd Ed.	Nelson, A. Thomas & Miller,	Date not	07837-65495	Requested, but not available for Inter-library loan. Date possibly 1981,

				Paul, B	avail able		therefore outside of population dates.
M	S	90	Accounting for Management Control	Otley, David	1990	0412-374803+	2nd edition
	M	91	Managerial Accounting 3rd Ed.	Raiborn & Barfield	DNS	0538-885122+	Requested, but not available for Inter-library loan.
M		92	Managerial Accounting 2nd Ed.	Raiborn, Cecily A, Barfield, Jesse T & Kinney, Michael R	1996	0-314-05826-5	
		93	Management Accounting	Raiborn, Cecily A, Barfield & Kinney. Edited by Leyh	1993	0-314-01169-2	
	M	94	Cost Accounting: Using a Cost Management Approach 6th Ed.	Rayburn, Letricia	1995	0-256-17480-6	Requested, but not available for Inter-library loan.
M	M	95	Financial Analysis, 2nd Ed.	Rees, Bill	1995	0-13-288283-3	
M	M	96	Principle of Financial & Managerial Accounting, 5th Ed.	Reeve, James & Warren, Carl S	1997	0-538-85309-3	Same text as No. 41
		97	Managerial Accounting, 3rd Ed.	Reeve, James	1994	0-538-82186-8	
		98	The Essentials of Cost & Managerial Accounting I	Research & Education Association Staff	1994	0-87891-664-4	
		99	The New Foundations of Management Accounting	Righi-Belkaou, Ahmed	1992	089930-7000+	
	M	100	The Executive's Guide to Management Accounting & Control Systems 4th Ed.	Rotch, William; Allen, Brandt R; & Smith, C Ray	1991	087393-1203	Requested, but not available for Inter-library loan.
M, H	M, H	101	Hospitality Industry Managerial Accounting, 4th Ed.	Schmidgall, R	1997	0-86612-149-8	
		102	Hospitality Industry Managerial Accounting, 3rd Ed.	Schmidgall, R	1994	0-86612-086-6	Same as 103
		103	Managerial Accounting for the Hospitality Industry, 3rd Ed.	Schmidgall, R	1994	0-86612-087-4	Same as 102

		104	Strategic Cost Management: The New Tool for Competitive Advantage	Shank, John K & Govindarajan, Vijay	1993	0-02-912651-7	
	M	105	Advanced Cost Accounting: Processing, Developing & Analyzing Financial & Cost Data for Management	Shim, Jae K., edited by Henteleff, N	1998 (97?)	1-882312-09-0	Requested, but not available for Inter-library loan.
		106	Modern Cost Management & Analysis	Shim, Jae K. & Siegel, Joel G	1992	08120-46714	Requested, but not available for Inter-library loan.
		107	Management Accounts: How to use them to control your business	Skone, Tony	1995	0-566-07483-4	
		108	Strategic Management Accounting: Text & Cases	Smith, Malcom	1996	0-7506-3097-3	
M	M	109	Managerial Accounting 9th Ed.	Sollenberger, Harold M & Schneider, Arnold	1996	0-538-84282-2	
	M	110	Cost Management Accounting	Stevens, Flumo	1995	1-56226-258-0	Requested, but not available for Inter-library loan.
		111	Managerial Accounting	Stevens, Flumo	1994	1-56226-196-7	
S		112	Theory of Accounting & Control	Sunder, Shyam	1997	0-538-86686-1	
	M	113	The Accounting Model, 2nd Ed.	Thomsen, C. T	1991	1879024-004	Requested, but not available for Inter-library loan.
		114	Fundamentals of Management Accounting	Tracy, John A	Date not available	0317-286447	
M	M	115	Accounting for Managers: An Introduction to Financial & Management Accounting, 3rd Ed.	Uliana, E. & Marcus, D	1990	07021-23595+	
M	M	116	Strategic Management Accounting	Ward, Keith & Srikanthan, Sri	1992	07506-01108+	
		117	Management Accounting for Financial Decisions	Ward, Keith; Srikanthan, Sri & Neal, Richard G	1991	07506-00675+	Authors Ward only
		118	Financial & Management Accounting: An	Weetman, Pauline	1996	0-273-60293-4	Multiple author. Requested, but not

			Introduction				available for Inter-library loan
	M	119	Essentials of Managerial Finance, 11th Ed.	Weston, J. Fred	1995	0-03-016027-8	Requested, but not available for Inter-library loan.
		120	Cost & Management Accounting	Williamson, Duncan	1996	0-13-205923-1	Requested, but not available for Inter-library loan.
M	M	121	Managerial Accounting: Method & Meaning, 2nd Ed.	Wilson & Chaua, Wai F	1992	0412-436108+	Dated 1993
		122	Strategic Cost Management	Wilson, Richard	1997	1-85521-581-0	Requested, but not available for Inter-library loan
		123	Management Accounting	Wright, David	1996	0-582-26253-4	Requested, but not available for Inter-library loan.

Appendix 4

Content Analysis Results

i-xiv

Chapter 16 - The budgeting process

i) Stages in the planning process - p.435							
Sampled textbook:	Identifying objectives	Identifying potential strategies	Evaluation of strategic options	Select course of action	Implementation of long-term plans	Monitor actual outcomes & respond to divergences from plan	*Other general comments*
A Drury (31)	*Covered*	*Covered*	*Covered*	*Covered*	*Covered*	*Covered*	*Coding Text*
B Coltman (22)	Not covered	Not covered	Mentioned	Not covered	Not covered	Not covered	General strategic mgt. not covered
C Schmidgall (101)	Covered	Mentioned	Covered	Covered	Not covered	Not covered	
D Morse et al (84)	Mentioned	Not covered	Not covered	Not covered	Not covered	Not covered	
E Maher et al (80)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	
F Drury (32)	Covered	Covered	Covered	Covered	Covered	Covered	
G Rees (95)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Book does not cover budgeting
H Horngren (66)	Covered	Mentioned	Mentioned	Mentioned	Covered	Covered	
I Atrill et al (7)	Covered	Covered	Mentioned	Mentioned	Covered	Mentioned	
J Christopher (20)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	A book of company specific case studies – does not cover budgeting.
K Arnold & Turley (6)	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	
L Sollenberger	Covered	Covered	Covered	Covered	Covered	Covered	

& Schneider (109)							
M Atkins et al (10)	Covered	Covered	Covered	Covered	Covered	Covered	
N Dominiak & Louderback (28)	Covered	*	*	*	*	*	* related to general planning & control – not budgeting
O Sunder (112)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Unless marked = not covered only considers a 'human perspective'
P Brandon & Drtina (13)	Covered	Mentioned	Mentioned	Mentioned	Mentioned	Covered	
Q Warren, Reeve & Fess (96)	*	*	*	*	*	*	* Covered, but not under these sub-headings
R Harris, P & Hazzard, P (61)	Mentioned	Not covered	Not covered	Not covered	Mentioned	Not covered	
S Weston & Brigham (14)	Covered	Covered	Covered	Covered	Covered	Covered	
T Garrison & Noreen (47)	*	*	*	*	*	*	Only generally mentioned, not broken down
U Emmanuel & Otley (90)	*	*	*	*	*	*	Only generally covered, not broken down
V Demski (27)	Covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not specifically covered in relation to budgets

W Hilton (64)	*	*	*	*	*	*	Mentioned in general terms only
X Ketz et al (74)	*	*	*	*	*	*	Generally covered, but not these subheadings
Y Chadwick (18)	Covered	Not covered	Not covered	Not covered	Mentioned	Mentioned	
Z Uliana, E & Marcus, D (115)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	
AA Ward, K (116)	This text focuses on strategic elements and does not mention budgets, however it does cover financial planning, financial control & responsibility accounting which are all inherently linked to budgeting.						
BB Wilson, R & Chaua (121)	Covered	Mentioned	Covered	Mentioned	Mentioned	Mentioned	Not always these headings
CC Anderson, L & Sollenberger, H (3)	Covered	Covered	Not covered	Not covered	Mentioned	Mentioned	
DD Raiborn, C et al (92)	Covered	Mentioned	Mentioned	Mentioned	Covered	Covered	
EE Fox, R et al (45)	This text covers part of the CIMA syllabus and does not mention budgeting, although this is covered by CIMA elsewhere						
FF Burch, J (16)	Covered	Covered	Covered	Covered	Covered	Covered	Not exact headings
HH Brown, G (15)	Mentioned	Not covered	Not covered	Not covered	Mentioned	Not covered	
II Hansen, D (56)	Mentioned	Mentioned	Not covered	Not covered	Covered	Not covered	Sub-headings vary
JJ Finkler, S (43)	Covered	Not covered	Not covered	Not covered	Mentioned	Not covered	

ii) Why do we produce budgets? p.441							
Sampled textbook:	Planning	Coordination	Communication	Motivation	Control	Performance evaluation	*Other general comments*
A Drury (31)	*Covered*	*Covered*	*Covered*	*Covered*	*Covered*	*Covered*	*Coding text*
B Coltman (22)	Covered	Covered	Covered	Covered	Covered	Covered	No additional reasons stated, but disadvantages of budgets also listed
C Schmidgall (101)	Covered	Mentioned	Covered	Covered	Covered	Not covered	Evaluating alternatives and use in pricing decisions also highlighted as why we use budgets
D Morse et al (84)	Covered	Covered	Covered	Not covered	Not covered	Covered	
E Maher et al (80)	Covered	Not covered	Covered	Covered	Mentioned	Covered	
F Drury (32)	Covered	Covered	Covered	Covered	Covered	Covered	
G Rees (95)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Book does not cover budgeting
H Horngren (66)	Covered	Covered	Not covered	Not covered	Not covered	Covered	
I Atrill et al (7)	Covered	Covered	Not covered	Covered	Covered	Not covered	
J Christopher (20)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	
K Arnold & Turley (6)	Covered	Covered	Covered	Covered	Covered	Covered	
L Sollenberger & Schneider (109)	Covered	Covered	Covered	Covered	Covered	Covered	
M Atkins et al (10)	Covered	Covered	Covered	Not covered	Covered	Covered	

N Dominiak & Louderback (28)	Covered	Mentioned	Mentioned	Mentioned	Covered	Mentioned	
O Sunder (112)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	
P Brandon & Drtina (13)	Covered	Covered	Not covered	Covered	Covered	Covered	
Q Warren, Reeve & Fess (96)	Covered	Covered	Covered	Covered	Covered	Covered	
R Harris, P & Hazzard, P (61)	Covered	Mentioned	Mentioned	Mentioned	Covered	Covered	
S Weston & Brigham (14)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered – text focused on Management use of financial accounting
T Garrison & Noreen (47)	Covered	Covered	Covered	Not covered	Covered	Mentioned	Plus resource allocation
U Emmanuel & Otley (90)	Covered	Covered	Covered	Covered	Covered	Covered	Plus, authorisation
V Demski (27)	Covered	Covered	Mentioned	Mentioned	Covered	Covered	Covered, but not in a specific section
W Hilton (64)	Covered	Covered	Covered	Covered	Covered	Covered	Plus, resource allocation
X Ketz et al (74)	Covered	Not covered	Covered	Not covered	Covered	Not covered	
Y Chadwick (18)	Covered	Not covered	Not covered	Mentioned	Covered	Mentioned	
Z Uliana, E & Marcus, D (115)	Mentioned	Mentioned	Not covered	Mentioned	Mentioned	Not covered	
AA Ward, K (116)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	
BB Wilson, R & Chaua (121)	Covered	Mentioned	Not covered	Covered	Covered	Covered	'budgets play sense-making and sense giving roles' p. 238 'budgets show organisational culture'

							p.241
CC Anderson, L & Sollenberger, H (3)	Covered	Covered	Not covered	Covered	Covered	Covered	Aid resource allocation
DD Raiborn, C et al (92)	Covered	Mentioned	Mentioned	Mentioned	Covered	Mentioned	Budgets have educational role, also budget preparation is a ritual
EE Fox, R et al (45)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	
FF Burch, J (16)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Text relates to longer-term strategic planning only.
HH Brown, G (15)	Covered	Covered	Not covered	Covered	Covered	Not covered	
II Hansen, D (56)	Covered	Covered	Covered	Covered	Covered	Covered	Motivation & performance evaluation linked with responsibility accounting. Also lists to aid decision making.
JJ Finkler, S (43)	Mentioned	Mentioned	Mentioned	Not covered	Covered	Not covered	

iii) Conflicting roles of budgets p.442			iii) The budget period p.442		
Sampled textbook:	*No further breakdown*	*other general comments*	Sampled textbook:	*No further breakdown*	*Other general comments*
A Drury (31)	*Covered*	*Coding text*	*A Drury (31)*	*Covered*	*Coding text*
B Coltman (22)	Mentioned	Partially covered	B Coltman (22)	Covered	Not all aspects covered
C Schmidgall (101)	Not covered		C Schmidgall (101)	Covered	
D Morse et al (84)	Not covered		D Morse et al (84)	Covered	
E Maher et al (80)	Not covered		E Maher et al (80)	Covered	
F Drury (32)	Covered		F Drury (32)	Covered	
G Rees (95)	Not covered		G Rees (95)	Not covered	Book does not cover budgeting
H Horngren (66)	Not covered		H Horngren (66)	Covered	
I Atrill et al (7)	Not covered		I Atrill et al (7)	Covered	
J Christopher (20)	Not covered		J Christopher (20)	Not covered	
K Arnold & Turley (6)	Not covered		K Arnold & Turley (6)	Covered	
L Sollenberger & Schneider (109)	Not covered		L Sollenberger & Schneider (109)	Mentioned	
M Atkins et al (10)	Mentioned		M Atkins et al (10)	Covered	
N Dominiak & Louderback (28)	Not covered		N Dominiak & Louderback (28)	Covered	
O Sunder (112)	Not covered		O Sunder (112)	Not covered	
P Brandon &	Not covered		P Brandon &	Mentioned	

Drtina (13)			Drtina (13)		
Q Warren, Reeve & Fess (96)	Not covered		Q Warren, Reeve & Fess (96)	Covered	
R Harris, P & Hazzard, P (61)	Mentioned		R Harris, P & Hazzard, P (61)	Covered	
S Weston & Brigham (14)	Not covered	text focused on Management use of financial accounting	S Weston & Brigham (14)	Not covered	text focused on Management use of financial accounting
T Garrison & Noreen (47)	Not covered		T Garrison & Noreen (47)	Covered	
U Emmanuel & Otley (90)	Covered		U Emmanuel & Otley (90)	Mentioned	
V Demski (27)	Not covered		V Demski (27)	Not covered	
W Hilton (64)	Mentioned		W Hilton (64)	Covered	Budget officer role also mentioned
X Ketz et al (74)	Mentioned		X Ketz et al (74)	Covered	
Y Chadwick (18)	Not covered		Y Chadwick (18)	Mentioned	
Z Uliana, E & Marcus, D (115)	Not covered		Z Uliana, E & Marcus, D (115)	Mentioned	
AA Ward, K (116)	Not covered		AA Ward, K (116)	Not covered	
BB Wilson, R & Chaua (121)	Not covered		BB Wilson, R & Chaua (121)	Covered	
CC Anderson, L & Sollenberger, H (3)	Not covered		CC Anderson, L & Sollenberger, H (3)	Mentioned	
DD Raibom, C et al (92)	Not covered		DD Raibom, C et al (92)	Covered	
EE Fox, R et al (45)	Not covered		EE Fox, R et al (45)	Not covered	

FF Burch, J (16)	Not covered		FF Burch, J (16)	Covered	
HH Brown, G (15)	Not covered		HH Brown, G (15)	Mentioned	
II Hansen, D (56)	Not covered		II Hansen, D (56)	Covered	
JJ Finkler, S (43)	Not covered		JJ Finkler, S (43)	Mentioned	

iv) Administration of the annual budget p.443				
Sampled textbook:	The budget committee	Accounting staff	Budget manual	*Other general comments*
A Drury (31)	*Covered*	*Mentioned*	*Covered*	*Coding text*
B Coltman (22)	Mentioned	Mentioned	Not covered	
C Schmidgall (101)	Not covered	Covered	Not covered	
D Morse et al (84)	Covered	Covered	Not covered	
E Maher et al (80)	Not covered	Not covered	Not covered	
F Drury (32)	Covered	Mentioned	Covered	
G Rees (95)	Not covered	Not covered	Not covered	Book does not cover budgeting
H Horngren (66)	Not covered	Not covered	Not covered	
I Atrill et al (7)	Covered	Covered	Not covered	
J Christopher (20)	Not covered	Not covered	Not covered	
K Arnold & Turley (6)	Covered	Mentioned	Not covered	Budget director mentioned as a co-ordinator
L Sollenberger & Schneider (109)	Not covered	Not covered	Not covered	
M Atkins et al (10)	Not covered	Not covered	Not covered	
N Dominiak & Louderback (28)	Not covered	Not covered	Not covered	
O Sunder (112)	Not covered	Not covered	Not covered	
P Brandon & Drtina (13)	Not covered	Not covered	Not covered	
Q Warren, Reeve & Fess (96)	Not covered	Not covered	Not covered	
R Harris, P & Hazzard, P (61)	Covered	Not covered	Mentioned	
S Weston & Brigham (14)	Not covered	Not covered	Not covered	Not covered – text focused on

				Management use of financial accounting
T Garrison & Noreen (47)	Covered	Not covered	Not covered	
U Emmanuel & Otley (90)	Not covered	Not covered	Not covered	
V Demski (27)	Not covered	Not covered	Not covered	
W Hilton (64)	Covered	Mentioned	Covered	The role of the budget office mention
X Ketz et al (74)	Covered	Mentioned	Not covered	
Y Chadwick (18)	Not covered	Not covered	Not covered	
Z Uliana, E & Marcus, D (115)	Not covered	Not covered	Not covered	
AA Ward, K (116)	Not covered	Not covered	Not covered	
BB Wilson, R & Chaua (121)	Not covered	Not covered	Not covered	
CC Anderson, L & Sollenberger, H (3)	Not covered	Not covered	Not covered	
DD Raiborn, C et al (92)	Mentioned	Not covered	Covered	
EE Fox, R et al (45)	Not covered	Not covered	Not covered	
FF Burch, J (16)	Not covered	Not covered	Not covered	
HH Brown, G (15)	Covered	Not covered	Not covered	
II Hansen, D (56)	Covered	Not covered	Not covered	
JJ Finkler, S (43)	Not covered	Not covered	Not covered	

v) Stages in the budgeting process p.444									
Sampled textbook:	Communicating details of the budget policy	Determining the factor that restricts performance	Preparation of the sales budget	Initial preparation of budgets	Negotiation of budgets	Coordination and review of budgets	Final acceptance of the budgets	*Budget review*	*Other general comments*
A Drury (31)	*Covered*	*Mentioned*	*Covered*	*Covered*	*Covered*	*Covered*	*Mentioned*	*Covered*	*Coding text bottom-up approach, the importance of participation and master budgets are all key features of this section.*
B Coltman (22)	Not covered	Mentioned	Covered	Covered	Covered	Covered	Covered	Mentioned	Bottom-up approach and participation emphasised
C Schmidgall (101)	Mentioned	Covered	Covered	Covered	Covered	Covered	Covered	Covered	The use of a bottom-up approach supported with reference to applied research
D Morse et al (84)	Not covered	Not covered	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	Activity based budgeting by dept. covered.
E Maher et al (80)	Not covered	Mentioned	Covered	Covered	Not covered	Not covered	Not covered	Covered	
F Drury (32)	Covered	Mentioned	Covered	Covered	Covered	Covered	Mentioned	Covered	
G Rees	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not	Book does not

(95)								covered	cover budgeting
H Horngren (66)	Mentioned	Covered	Covered	Covered	Covered	Covered	Mentioned	Covered	Activity based budgeting covered in addition to the importance of participation
I Atrill et al (7)	Covered	Mentioned	Covered	Covered	Covered	Covered	Covered	Covered	Top-down/ bottom-up only covered in list of terms
J Christopher (20)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	
K Arnold & Turley (6)	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	
L Sollenberger & Schneider (109)	Mentioned	Covered	Covered	Covered	Mentioned	Covered	Covered	Covered	
M Atkins et al (10)	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	All covered using an industry example
N Dominiak & Louderback (28)	Not covered	Not covered	Covered	Covered	Mentioned	Mentioned	Mentioned	Covered	
O Sunder (112)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	
P Brandon & Drtina (13)	Covered	Mentioned	Covered	Covered	Covered	Covered	Covered	Not covered	In diagram format
Q Warren, Reeve &	*	*	Covered	Covered	Covered	*	*	*	Not these sub-headings, general

Fess (96)									topic covered
R Harris, P & Hazzard, P (61)	*	Covered	*	*	*	*	*	*	Limiting factors covered, with a hospitality/hotels focus. Other aspects are mentioned in student questions at the end of chapter.
S Weston & Brigham (14)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered – text focused on Management use of financial accounting
T Garrison & Noreen (47)	Mentioned	Mentioned	Covered	Covered	Covered	Covered	Mentioned	Mentioned	
U Emmanuel & Otley (90)	*	*	*	*	*	*	*	*	Mentioned, no detailed illustration shown.
V Demski (27)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered, no example
W Hilton (64)	*	*	*	*	*	*	*	*	Covered, but not these specific headings
X Ketz et al (74)	Not covered	Not covered	Mentioned	Covered	Covered	Covered	Mentioned	Not covered	
Y Chadwick (18)	Not covered	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	Not covered	
Z Uliana, E & Marcus,	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	

D (115)									
AA Ward, K (116)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	
BB Wilson, R & Chaua (121)	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	
CC Anderson, L & Sollenberger, H (3)	Mentioned	Covered	Covered	Covered	Mentioned	Mentioned	Not covered	Not covered	
DD Raibom, C et al (92)	Mentioned	Covered	Covered	Covered	Mentioned	Mentioned	Mentioned	Mentioned	
EE Fox, R et al (45)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	
FF Burch, J (16)	Mentioned	Mentioned	Covered	Covered	Not covered	Not covered	Not covered	Not covered	
HH Brown, G (15)	Mentioned	Mentioned	Mentioned	Mentioned	Not covered	Mentioned	Mentioned	Not covered	
II Hansen, D (56)	*	*	*	*	*	*	*	*	Only mentioned in general terms, not broken down.
JJ Finkler, S (43)	Mentioned	Not covered	Mentioned	Mentioned	Not covered	Not covered	Not covered	Not covered	

vi) A detailed illustration p.447												
Sampled textbook:	Sales budget	Production budget and budgeted stock levels	Direct materials usage budget	Direct materials purchase budget	Direct Labour budget	Factory overhead budget	Selling and administration budget	Departmental budgets	Master budget	Cash budgets	Final review	*Other general comments*
A Drury (31)	*Covered*	*Covered*	*Covered*	*Covered*	*Covered*	*Covered*	*Covered*	*Covered*	*Covered*	*Covered*	*Mentioned*	*Coding text*
B Coltman (22)	Covered	Not covered	Covered	Not covered	Covered	Not covered	Mentioned	Covered	Covered	Covered	Covered	Not always the same terminology used. Some aspects not appropriate in a service industry.
C Schmidgall (101)	Covered	Covered*	Covered	Covered	Covered	Not covered	Covered	Covered	Covered	Covered	Covered	* Only stock not production. Hospitality /service applied
D Morse et al (84)	Covered	Not covered	Not covered	Covered	Not covered	Not covered	Covered	Covered	Covered	Covered	Covered	American terminology used
E Maher et al (80)	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	
F Drury (32)	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Mentioned	
G Rees (95)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Book does not cover budgeting

H Horngren (66)	Covered	Covered *	Covered *	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Not covered	* different terminology used
I Atrill et al (7)	Covered	Covered	Covered	Covered	Covered	Covered	Not covered	Not covered	Covered	Covered	Covered	
J Christopher (20)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	
K Arnold & Turley (6)	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Materials usage & purchase covered together
L Sollenberger & Schneider (109)	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Different terminology used
M Atkins et al (10)	Covered	Covered	Covered	Covered	Covered	Mentioned	Covered	Mentioned	Covered	Covered	Covered	
N Dominiak & Louderback (28)	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	A worked example
O Sunder (112)	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Different terminology used
P Brandon & Drtina (13)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	
Q Warren, Reeve & Fess (96)	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Mentioned	Worked examples used
R Harris, P & Hazzard, P	Covered	Not covered	Not covered	Not covered	Not covered	Not covered	Covered	Covered	Covered	Covered	Covered	Hospitality industry

(61)												applied text, therefore does not cover manufacturing aspects.
S Weston & Brigham (14)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered – text focused on Management use of financial accounting
T Garrison & Noreen (47)	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Not covered	
U Emmanuel & Otley (90)	*	*	*	*	*	*	*	*	*	*	*	Mentioned, no detailed illustration shown.
V Demski (27)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered, no illustrated example
W Hilton (64)	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Mentioned	
X Ketz et al (74)	Covered	Covered *	Covered	Covered	Covered	Covered *	Covered	Covered	Covered	Covered	Covered	* different terminology used production budgets
Y Chadwick (18)	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	A worked example
Z Uliana, E & Marcus, D	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	

(115)												
AA Ward, K (116)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	
BB Wilson, R & Chaua (121)	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Not always same terms. Two sections, including a full illustration
CC Anderson, L & Sollenberger, H (3)	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	
DD Raibom, C et al (92)	Covered	Covered	Covered	Covered	Covered	Mentioned	Mentioned	Mentioned	Covered	Covered	Covered	
EE Fox, R et al (45)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	
FF Burch, J (16)	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	
HH Brown, G (15)	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Not covered	
II Hansen, D (56)	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Covered	
JJ Finkler, S (43)	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	Covered	Covered	Mentioned	Not covered	

vii) Computerized budgeting p.455			vii) The budgeting process in non-profit-making organizations p.455			
Sampled textbook:	*No further breakdown*	*Other general comments*	Sampled textbook:	Line item budgets	Planning, programming budgeting systems	*Other general comments*
A Drury (31)	*Covered*	*Coding text*	*A Drury*	*Covered*	*Covered*	*Coding text*
B Coltman (22)	Covered		B Coltman (22)	Not covered	Not covered	Not appropriate in a Hospitality context
C Schmidgall (101)	Mentioned		C Schmidgall (101)	Not covered	Not covered	Not appropriate in a Hospitality context
D Morse et al (84)	Covered		D Morse et al (84)	Not covered	Not covered	
E Maher et al (80)	Not covered		E Maher et al (80)	*	*	* green flash topic covered briefly, but not broken down
F Drury (32)	Covered		F Drury (32)	Not covered	Not covered	
G Rees (95)	Not covered		G Rees (95)	Not covered	Not covered	Book does not cover budgeting
H Horngren (66)	Covered	Detailed spreadsheet examples shown	H Horngren (66)	Not covered	Not covered	
I Atrill et al (7)	Covered		I Atrill et al (7)	Covered	Covered	
J Christopher (20)			J Christopher (20)			
K Arnold & Turley (6)	Mentioned	In relation to mgt. Acc. In general	K Arnold & Turley (6)	Not covered	Covered	Service industries also covered
L Sollenberger & Schneider (109)	Covered		L Sollenberger & Schneider (109)	*	*	Covered, but no breakdown

M Atkins et al (10)	Not covered		M Atkins et al (10)	*	*	Covered, but no breakdown
N Dominiak & Louderback (28)	Not covered		N Dominiak & Louderback (28)	Not covered	Not covered	
O Sunder (112)	Not covered		O Sunder (112)	Not covered	Not covered	
P Brandon & Drtina (13)	Not covered		P Brandon & Drtina (13)	Not covered	Not covered	
Q Warren, Reeve & Fess (96)	Covered		Q Warren, Reeve & Fess (96)	Not covered	Not covered	
R Harris, P & Hazzard, P (61)	Not covered		R Harris, P & Hazzard, P (61)	Not covered	Not covered	
S Weston & Brigham (14)	Not covered	Not covered – text focused on Management use of financial accounting	S Weston & Brigham (14)	Not covered	Not covered	Not covered – text focused on Management use of financial accounting
T Garrison & Noreen (47)	Mentioned		T Garrison & Noreen (47)	Not covered	Not covered	Not covered, capital budgeting only
U Emmanuel & Otley (90)	Mentioned		U Emmanuel & Otley (90)	Not covered	Not covered	
V Demski (27)	Mentioned		V Demski (27)	Not covered	Not covered	
W Hilton (64)	Mentioned	Mentioned, but general to mgt. Acc.	W Hilton (64)	*	*	Covered, but not these headings
X Ketz et al (74)	Not covered		X Ketz et al (74)	*	*	Mentioned only, but not these headings
Y Chadwick (18)	Not covered		Y Chadwick (18)	Not covered	Not covered	
Z Uliana, E & Marcus, D (115)	Not covered		Z Uliana, E & Marcus, D (115)	Not covered	Not covered	
AA Ward, K (116)	Not covered		AA Ward, K (116)	Not covered	Not covered	
BB Wilson, R &	Mentioned	Related to	BB Wilson, R &	Not covered	Covered	

Chaua (121)		PPBS in non-profit sector	Chaua (121)			
CC Anderson, L & Sollenberger, H (3)	Mentioned		CC Anderson, L & Sollenberger, H (3)	Mentioned	Covered	
DD Raiborn, C et al (92)	Not covered		DD Raiborn, C et al (92)	Not covered	Not covered	
EE Fox, R et al (45)	Not covered		EE Fox, R et al (45)	Not covered	Not covered	
FF Burch, J (16)	Not covered		FF Burch, J (16)	Not covered	Not covered	
HH Brown, G (15)	Not covered		HH Brown, G (15)	Not covered	Not covered	
II Hansen, D (56)	Not covered		II Hansen, D (56)	Not covered	Not covered	
JJ Finkler, S (43)	Not covered		JJ Finkler, S (43)	Not covered	Not covered	

viii) Incremental and zero-base budgeting p.459		
Sampled textbook:	*No further breakdown*	*Other general comments*
A Drury (31)	*Covered*	*Coding text*
B Coltman (22)	Covered	Gives advantages and disadvantages, but supports zero-based budgeting.
C Schmidgall (101)	Covered	
D Morse et al (84)	Mentioned	
E Maher et al (80)	Covered	
F Drury (32)	Covered	
G Rees (95)	Not covered	
H Horngren (66)	Not covered	
I Atrill et al (7)	Covered	
J Christopher (20)	Not covered	
K Arnold & Turley (6)	Not covered	
L Sollenberger & Schneider (109)	Not covered	
M Atkins et al (10)	Covered	
N Dominiak & Louderback (28)	Not covered	
O Sunder (112)	Not covered	
P Brandon & Drtina (13)	Not covered	
Q Warren, Reeve & Fess (96)	Not covered	
R Harris, P & Hazzard, P (61)	*	Not covered under this name, but covers budgeting for new operations, which are zero-based
S Weston & Brigham (14)	Not covered	Not covered – text focused on Management use of financial accounting
T Garrison & Noreen (47)	Covered	
U Emmanuel & Otley (90)	Not covered	
V Demski (27)	Mentioned	
W Hilton (64)	Covered	
X Ketz et al (74)	Covered	

Y Chadwick (18)	Not covered	
Z Uliana, E & Marcus, D (115)	Not covered	
AA Ward, K (116)	Not covered	
BB Wilson, R & Chaua (121)	Covered	Only planning aspects covered and notes Texas Instruments developed the concept in 1970s.
CC Anderson, L & Sollenberger, H (3)	Covered	
DD Raiborn, C et al (92)	Covered	
EE Fox, R et al (45)	Not covered	
FF Burch, J (16)	Covered	
HH Brown, G (15)	Mentioned	
II Hansen, D (56)	Covered	Covered in detail, but as an appendix to the budgeting chapter.
JJ Finkler, S (43)	Not covered	

Only one section of Chapter 17 refers to budgets, other aspects of chapter not coded for these purposes

ix) Flexible budgeting p.480								
Sampled textbook:	Budget formula	Performance reports	Variable costs vary with input	Allowance based on output	Standard hours produced	Analysis of variances into price and quantity effects	Influence of other factors	*Other general comments*
A Drury (31)	*Covered*	*Covered*	*Covered*	*Covered*	*Covered*	*Covered*	*Covered*	*Coding text*
B Coltman (22)	Not covered	Covered	Covered	Not covered	Not covered	Mentioned	Not covered	
C Schmidgall (101)	Not covered	Covered	Covered	Not covered	Not covered	Covered	Not covered	Details to variable costs context given.
D Morse et al (84)	Covered	Covered	Not covered	Not covered	Not covered	Not covered	Not covered	
E Maher et al (80)	*	*	*	*	*	*	*	* green flash topic covered briefly, but not broken down
F Drury (32)	Covered	Covered	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	
G Rees (95)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Book does not cover budgeting
H Horngren (66)	Covered	Covered	Covered	Covered	Covered	Covered	Mentioned	Includes activity based budgeting
I Atrill et al (7)	Not covered	Not covered	Covered	Mentioned	Mentioned	Covered	Mentioned	Practical illustration, includes activity based budgeting
J Christopher (20)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	

K Arnold & Turley (6)	Not covered	Covered	Mentioned	Mentioned	Mentioned	Covered	Covered	Covered, but not under these specific headings
L Sollenberger & Schneider (109)	*	*	*	*	*	*	*	Covered, but not under these sub-headings
M Atkins et al (10)	*	*	*	*	*	*	*	Covered, but not under these sub-headings
N Dominiak & Louderback (28)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	
O Sunder (112)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	
P Brandon & Drtina (13)	Covered	Covered	Covered	Mentioned	Mentioned	Covered	Mentioned	Worked example included
Q Warren, Reeve & Fess (96)	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Included a full chapter on this
R Harris, P & Hazzard, P (61)	*	*	*	*	*	*	*	Whole chapter, but hospitality applied, therefore not these headings
S Weston & Brigham (14)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered – text focused on Management use of financial accounting
T Garrison & Noreen (47)	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Included a whole chapter
U Emmanuel & Otley (90)	*	*	*	*	*	*	*	Mentioned within planning & standard costing
V Demski (27)	*	*	*	*	*	*	*	Mentioned, not

								broken down
W Hilton (64)	Covered	Covered	Covered	Covered	Covered	Covered	Covered	A whole chapter for this topic
X Ketz et al (74)	Covered	Covered	Covered	Covered	Covered	Covered	Covered	A whole chapter for this topic
Y Chadwick (18)	*	*	*	*	*	*	*	Mentioned in general terms and defined
Z Uliana, E & Marcus, D (115)	*	*	*	*	*	*	*	Mentioned, but not broken down
AA Ward, K (116)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	
BB Wilson, R & Chaua (121)	*	*	*	*	*	*	*	Covered, but not these sub-headings
CC Anderson, L & Sollenberger, H (3)	*	*	*	*	*	*	*	Mentioned, but not broken-down
DD Raiborn, C et al (92)	*	*	*	*	*	*	*	Mentioned, plus a section concerning Activity Based Budgeting.
EE Fox, R et al (45)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered	
FF Burch, J (16)	*	*	*	*	*	*	*	Mentioned generally in chapter concerning cost variance analysis
HH Brown, G (15)	Covered	Covered	Mentioned	Mentioned	Mentioned	Mentioned	Not covered	
II Hansen, D	Covered	Covered	Covered	Covered	Covered	Covered	Covered	Referred to

(56)								detailed standard costing in other chapters.
JJ Finkler, S (43)	Covered	Covered	Covered	Mentioned	Covered	Covered	Not covered	

x) The use of budgets as targets p.591				
Sampled textbook:	Aspiration levels	The effect of budget levels on performance	Conflicting roles of budgets	*Other general comments*
A Drury (31)	*Covered*	*Covered*	*Covered*	*Coding text*
B Coltman (22)	Covered	Covered	Covered	
C Schmidgall (101)	Mentioned	Covered	Not covered	
D Morse et al (84)	Mentioned	Covered	Not covered	
E Maher et al (80)	Not covered	Mentioned	Not covered	
F Drury (32)	Covered	Covered	Covered	
G Rees (95)	Not covered	Not covered	Not covered	Book does not cover budgeting
H Horngren (66)	Not covered	Mentioned	Not covered	
I Atrill et al (7)	Not covered	Not covered	Not covered	Generally mentioned
J Christopher (20)	Not covered	Not covered	Not covered	
K Arnold & Turley (6)	Mentioned	Covered	Not covered	
L Sollenberger & Schneider (109)	Not covered	Covered	Not covered	
M Atkins et al	Mentioned	Covered	Not covered	

(10)				
N Dominiak & Louderback (28)	*	*	*	Covered, but not broken-down
O Sunder (112)	Not covered	Not covered	Not covered	
P Brandon & Drtina (13)	Not covered	Mentioned	Not covered	
Q Warren, Reeve & Fess (96)	*	*	*	Mentioned, but subject not covered under these headings
R Harris, P & Hazzard, P (61)	*	*	*	Mentioned, but subject not covered under these headings
S Weston & Brigham (14)	Not covered	Not covered	Not covered	Not covered – text focused on Management use of financial accounting
T Garrison & Noreen (47)	Not covered	Mentioned	Covered	
U Emmanuel & Otley (90)	Covered	Covered	Covered	
V Demski (27)	Not covered	Covered	Mentioned	
W Hilton (64)	Not covered	Covered	Not covered	
X Ketz et al (74)	Not covered	Covered	Not covered	
Y Chadwick (18)	Mentioned	Covered	Not covered	
Z Uliana, E & Marcus, D (115)	*	*	*	Mentioned, but not broken down
AA Ward, K (116)	Not covered	Not covered	Not covered	

BB Wilson, R & Chaua (121)	Mentioned	Covered	Mentioned	
CC Anderson, L & Sollenberger, H (3)	Not covered	Mentioned	Not covered	
DD Raiborn, C et al (92)	Not covered	Mentioned	Not covered	
EE Fox, R et al (45)	Not covered	Not covered	Not covered	
FF Burch, J (16)	Mentioned	Mentioned	Mentioned	
HH Brown, G (15)	Not covered	Not covered	Not covered	
II Hansen, D (56)	Not covered	Mentioned	Mentioned	
JJ Finkler, S (43)	Not covered	Not covered	Not covered	

xi) The use of accounting control techniques for performance evaluation p.p595				
Sampled textbook:	The dysfunctional consequences of performance measures	Managerial accounting information in performance evaluations	The educational role of the accountant	*Other general comments*
A Drury (31)	*Covered*	*Covered*	*Covered*	*Coding text*
B Coltman (22)	Not covered	Covered	Not covered	
C Schmidgall (101)	Covered	Covered	Not covered	
D Morse et al (84)	Not covered	Not covered	Not covered	
E Maher et al (80)	Not covered	Mentioned	Not covered	
F Drury (32)	Covered	Covered	Mentioned	
G Rees (95)	Not covered	Not covered	Not covered	Book does not cover budgeting
H Horngren (66)	*	*	*	* topic covered generally, not broken down
I Atrill et al (7)	Not covered	Not covered	Not covered	
J Christopher (20)	Not covered	Not covered	Not covered	
K Arnold & Turley (6)	Mentioned	Mentioned	Not covered	Covered, but not under these headings
L Sollenberger & Schneider (109)	*	*	*	Performance evaluation covered, but not directly linked to budgeting
M Atkins et al (10)	Mentioned	Mentioned	Not covered	

N Dominiak & Louderback (28)	Covered	Covered	Not covered	Participation seen as key to using budgets to evaluate mgrs. performance
O Sunder (112)	Not covered	Not covered	Not covered	
P Brandon & Drtina (13)	Mentioned	Covered	Not covered	
Q Warren, Reeve & Fess (96)	•	•	•	Mentioned in connection to responsibility accounting
R Harris, P & Hazzard, P (61)	Not covered	Covered	Not covered	
S Weston & Brigham (14)	Not covered	Not covered	Not covered	Not covered – text focused on Management use of financial accounting
T Garrison & Noreen (47)	Not covered	Covered	Not covered	
U Emmanuel & Otley (90)	Mentioned	Covered	Not covered	
V Demski (27)	Mentioned	Covered	Not covered	
W Hilton (64)	Not covered	Covered	Not covered	Related to responsibility accounting
X Ketz et al (74)	Mentioned	Mentioned, more in other chapters	Not covered	Much related to responsibility accounting
Y Chadwick (18)	Not covered	Mentioned	Not covered	
Z Uliana, E & Marcus, D (115)	Not covered	Not covered	Not covered	
AA Ward, K	Not covered	Not covered	Not covered	

(116)				
BB Wilson, R & Chaua (121)	Mentioned	Mentioned	Not covered	
CC Anderson, L & Sollenberger, H (3)	Mentioned	Mentioned	Not covered	
DD Raiborn, C et al (92)	Mentioned	Mentioned	Not covered	
EE Fox, R et al (45)	Not covered	Not covered	Not covered	
FF Burch, J (16)	Mentioned	Mentioned	Not covered	
HH Brown, G (15)	Not covered	Not covered	Not covered	
II Hansen, D (56)	Covered	Mentioned	Not covered	
JJ Finkler, S (43)	Not covered	Not covered	Not covered	

xii) Participation in the budgeting and standard setting process p.599				
Sampled textbook:	Factors influencing participation	The influence of participation in the budget process	Conditions for effective participation in the budgeting process	*Other general comments*
A Drury (31)	*Covered*	*Covered*	*Covered*	*Coding text*
B Coltman (22)	Mentioned	Mentioned	Covered	
C Schmidgall (101)	Covered	Covered	Covered	
D Morse et al (84)	Covered	Covered	Covered	
E Maher et al (80)	Not covered	Mentioned	Not covered	
F Drury (32)	Covered	Covered	Covered	
G Rees (95)	Not covered	Not covered	Not covered	Book does not cover budgeting
H Horngren (66)	Not covered	Covered	Mentioned	
I Atrill et al (7)	Not covered	Not covered	Not covered	
J Christopher (20)	Not covered	Not covered	Not covered	
K Arnold & Turley (6)	Covered	Covered	Covered	
L Sollenberger & Schneider (109)	Mentioned	Mentioned	Covered	
M Atkins et al (10)	Covered	Covered	Mentioned	
N Dominiak &	Mentioned	Covered	Covered	

Louderback (28)				
O Sunder (112)	Mentioned	Mentioned	Mentioned	
P Brandon & Drtina (13)	Covered	Covered	Covered	Bottom-up approach recommended
Q Warren, Reeve & Fess (96)	*	*	*	Covered generally, not these headings
R Harris, P & Hazzard, P (61)	*	*	*	Covered, but not these sub-headings
S Weston & Brigham (14)	Not covered	Not covered	Not covered	Not covered – text focused on Management use of financial accounting
T Garrison & Noreen (47)	Not covered	Covered	Not covered	
U Emmanuel & Otley (90)	Not covered	Not covered	Not covered	
V Demski (27)	*	*	*	Mentioned, but related to responsibility accounting
W Hilton (64)	Not covered	Covered	Not covered	
X Ketz et al (74)	Covered	Covered	Covered	
Y Chadwick (18)	Mentioned	Covered	Mentioned	
Z Uliana, E & Marcus, D (115)	Not covered	Not covered	Not covered	
AA Ward, K (116)	Not covered	Not covered	Not covered	
BB Wilson, R	Mentioned	Covered	Mentioned	

& Chaua (121)				
CC Anderson, L & Sollenberger, H (3)	Not covered	Mentioned	Not covered	
DD Raiborn, C et al (92)	Covered	Covered	Mentioned	
EE Fox, R et al (45)	Not covered	Not covered	Not covered	
FF Burch, J (16)	Not covered	Mentioned	Not covered	
HH Brown, G (15)	Not covered	Mentioned	Not covered	
II Hansen, D (56)	Covered	Covered	Covered	All covered, but different sub-headings
JJ Finkler, S (43)	Not covered	Not covered	Not covered	

xiii) Bias in the budgeting process p.602		
Sampled textbook:	*No further breakdown*	*Other general comments*
A Drury (31)	*Covered*	*Coding text*
B Coltman (22)	Covered	
C Schmidgall (101)	Not covered	
D Morse et al (84)	Not covered	
E Maher et al (80)	Mentioned	
F Drury (32)	Covered	
G Rees (95)	Not covered	Book does not cover budgeting
H Horngren (66)	Not covered	
I Atrill et al (7)	Not covered	
J Christopher (20)	Not covered	
K Arnold & Turley (6)	Not covered	
L Sollenberger & Schneider (109)	Covered	Covered under budgeting ethics
M Atkins et al (10)	Not covered	
N Dominiak & Louderback (28)	Not covered	
O Sunder (112)	Not covered	
P Brandon & Drtina (13)	Covered	Covered under budgeting gamesmanship
Q Warren, Reeve & Fess (96)	Not covered	
R Harris, P & Hazzard, P (61)	Mentioned	
S Weston & Brigham (14)	Not covered	Not covered – text focused on Management use of financial accounting
T Garrison & Noreen (47)	Not covered	
U Emmanuel & Otley (90)	Not covered	
V Demski (27)	Not covered	
W Hilton (64)	Mentioned	
X Ketz et al (74)	Covered	

Y Chadwick (18)	Not covered	
Z Uliana, E & Marcus, D (115)	Not covered	
AA Ward, K (116)	Not covered	
BB Wilson, R & Chaua (121)	Mentioned	
CC Anderson, L & Sollenberger, H (3)	Not covered	
DD Raibom, C et al (92)	Covered	
EE Fox, R et al (45)	Not covered	
FF Burch, J (16)	Mentioned	
HH Brown, G (15)	Not covered	
II Hansen, D (56)	Mentioned	
JJ Finkler, S (43)	Not covered	

xiv) Management use of budgets p.604						
Sampled textbook:	Management's authority and responsibility must be clear	The managers must accept their budgets and consider them to be attainable	Budgetary control information must be understood by the managers	Training in budgetary control must be effective	Managers must understand the aim of budgetary information	*Other general comments*
A Drury (31)	*Covered*	*Covered*	*Covered*	*Mentioned*	*Covered*	*Coding text*
B Coltman (22)	Not covered	Covered	Covered	Not covered	Not covered	
C Schmidgall (101)	Covered	Covered	Covered	Not covered	Covered	Differences in ingle unit and chain processes covered
D Morse et al (84)	Not covered	Mentioned	Not covered	Not covered	Not covered	
E Maher et al (80)	Covered	Covered	Not covered	Not covered	Not covered	
F Drury (32)	Mentioned	Mentioned	Mentioned	Mentioned	Mentioned	
G Rees (95)	Not covered	Not covered	Not covered	Not covered	Not covered	Book does not cover budgeting
H Horngren (66)	Not covered	Mentioned	Mentioned	Not covered	Not covered	Very general, little of detail on this topic
I Atrill et al (7)	Not covered	Mentioned	Not covered	Not covered	Not covered	
J Christopher (20)	Not covered	Not covered	Not covered	Not covered	Not covered	
K Arnold & Turley (6)	Mentioned	Covered	Covered	Mentioned	Mentioned	
L Sollenberger & Schneider (109)	Covered	Mentioned	Not covered	Not covered	Mentioned	

M Atkins et al (10)	Mentioned	Mentioned	Mentioned	Not covered	Mentioned	Human aspects covered, but not directly under these headings
N Dominiak & Louderback (28)	Not covered	Not covered	Not covered	Not covered	Not covered	General performance measurement issues covered, but not specifically related to budgets
O Sunder (112)	Not covered	Not covered	Not covered	Not covered	Not covered	
P Brandon & Drtina (13)	*	*	*	*	*	Mentioned, but not broken-down into these headings
Q Warren, Reeve & Fess (96)	*	*	*	*	*	Mentioned, but not broken-down into these headings
R Harris, P & Hazzard, P (61)	Not covered	Mentioned	Not covered	Not covered	Not covered	
S Weston & Brigham (14)	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered – text focused on Management use of financial accounting
T Garrison & Noreen (47)	*	*	*	*	*	Covered generally related to responsibility accounting
U Emmanuel & Otley (90)	Not covered	Not covered	Not covered	Not covered	Not covered	
V Demski (27)	Covered	Covered	Mentioned	Not covered	Mentioned	
W Hilton (64)	Covered	Covered	Not covered	Not covered	Not covered	Related to

						responsibility accounting
X Ketz et al (74)	Mentioned	Covered	Mentioned	Not covered	Mentioned	
Y Chadwick (18)	Mentioned	Mentioned	Not covered	Not covered	Not covered	Covered generally in relation to human aspects of budgeting
Z Uliana, E & Marcus, D (115)	Not covered	Not covered	Not covered	Not covered	Not covered	
AA Ward, K (116)	Not covered	Not covered	Not covered	Not covered	Not covered	
BB Wilson, R & Chaua (121)	Covered	Covered	Not covered	Not covered	Mentioned	
CC Anderson, L & Sollenberger, H (3)	Not covered	Mentioned	Not covered	Not covered	Not covered	
DD Raiborn, C et al (92)	Mentioned	Covered	Not covered	Not covered	Not covered	
EE Fox, R et al (45)	Not covered	Not covered	Not covered	Not covered	Not covered	
FF Burch, J (16)	Not covered	Mentioned	Not covered	Not covered	Mentioned	
HH Brown, G (15)	Not covered	Not covered	Not covered	Not covered	Not covered	
II Hansen, D (56)	Covered	Mentioned	Not covered	Not covered	Not covered	
JJ Finkler, S (43)	Not covered	Not covered	Not covered	Not covered	Not covered	

Additional Notes:

Hilton (64) also covered: International aspects of budgeting, ethical issues, Management By Objectives and product life-cycle budgets

Uliana & Marcus (115) only a 12 page chapter, which was mainly a worked example and student questions.

Wilson, R & Chaua (121) also covered: Non-manufacturing budgets; budgets & groups; budgets, slack and misinformation; and budgets as political and symbolic process in organizations.

Anderson, L & Sollenberger, H (3) also covered 'probabilistic budgeting' i.e. budgets based on probabilities with a range of values inan uncertain market.

Raibom, C et al (92) also covered budget games and budgeting in international business.

Finkler, S (43) Budgeting was a brief chapter in a book covering many aspects of financial & management accounting.

Appendix 5

Initial Covering Letter

(Note: original on headed paper)

(Title)
(Company)
(Address)

Direct Line: 01242 531005
E-mail: Tjones@glos.ac.uk
21st March 2004

For the attention of the (Title).

I am writing to you as the person with overall responsibility for finance within (company name). May I introduce myself, I am a senior lecturer in hospitality management, specialising in accounting and finance at the University of Gloucestershire. I would be grateful if you would spend a few minutes of your time to complete the enclosed questionnaire, 'Budgetary Planning and Control Procedures'. Giving 5 - 10 minutes of your time now could give you valuable information to assist you in evaluating and revising your own budgetary procedures, as well as helping to educate managers of the future.

This is the second comprehensive survey of hospitality organisations budgetary procedures to be carried out within the UK, you may have already been involved in the first which took place in 1996. The survey has been sent to approximately 80 hotel operators listed in the HCIMA Hospitality Yearbook. At no time will any individual establishment taking part in this survey be named, or recognisable within the published results. The industry-wide results will be made available free of charge to all who participate in this study, giving you valuable data with which to compare your own procedures. Additionally the data will be used for teaching purposes on hospitality management Degree and HND programmes, assisting in the education of tomorrow's managers.

As a senior lecturer specialising in accounting and finance, I am aware there is no one 'right way to budget'. Many factors need to be taken into account when establishing an organisation's budgetary procedures, but clearly having sound budgetary procedures is essential to budgetary success for an organisation.

Much has been written concerning the gap between management accounting theory and practice, it is only by key industrialists, such as yourself, being involved in this survey that theory and practice can be drawn closer together, benefiting both the hospitality industry and education.

I thank you in advance for taking the time to complete the enclosed questionnaire, should you have any queries please do not hesitate to contact me.

Yours sincerely,

Tracy Jones, M.Phil., BSc(Hons)., MHCIMA, ABHA.
Senior Lecturer

Appendix 6

Follow-up Letter

(Note: original on headed paper)

(Title)
(Company)
(Address)

Direct Line: 01242 531005
E-mail: Tjones@glos.ac.uk
6th May 2004

For the attention of the (Title).

I recently wrote to you regarding a survey being undertaken concerning budgetary planning and control procedures used within the hospitality industry. Unfortunately I have not received a response from your organisation. Please be rest assured at no time will any individual establishment taking part in this survey be named, or recognisable within the published results.

The British Association of Hospitality Accountants (BAHA) has endorsed the survey and summary results will appear in their publication BAHA Times. It should only take 5–10 minutes to complete and a Freepost envelope is enclosed for its return.

This is the second comprehensive survey of hospitality organisations budgetary procedures to be carried out within the UK, you may have already been involved in the first which took place in 1996. The survey has been sent to approximately 80 hotel operators listed in the HCIMA Hospitality Yearbook. The industry-wide results will be made available free of charge to all who participate in this study, giving you valuable data with which to compare your own procedures. Additionally the data will be used for teaching purposes on hospitality management Degree and HND programmes, assisting in the education of tomorrow's managers.

If you have concerns you wish to discuss before deciding to complete the survey please do not hesitate to contact me. If you feel unable to complete the questionnaire for any reason I would be grateful if you could return it uncompleted in the Freepost envelop provided so I do not send a further reminder.

I thank you in advance for taking the time to read this, should you have any queries please do not hesitate to contact me.

Yours sincerely,

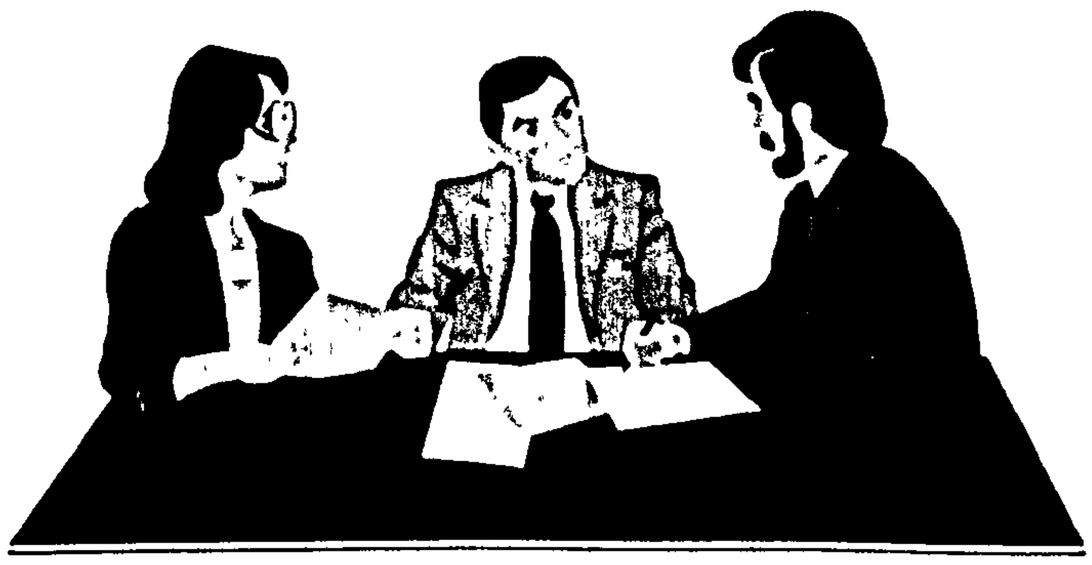
Tracy Jones; M.Phil., BSc(Hons)., MHCIMA, ABHA.
Senior Lecturer & Hospitality Programmes Leader

Appendix 7

Final Questionnaire

Hotel Operators Questionnaire

Budgetary Planning and Control Procedures



All answers will be in confidence, at no stage will any organisations involved be identified in survey results. It would assist analysis if you answer all questions as fully as possible, however do feel free to omit answering any question where you feel unhappy about disclosing information (remember the survey is completed in strict confidence).

The questionnaire is divided into 4 discrete sections.

- **Section A** - *Concentrates on the process you use in setting your budgets. It will identify what techniques are being used in the industry, including common practice.*

- **Section B** - *Once budgets are set they have to be monitored and controlled. This section deals with the monitoring process and the review of the budgetary process itself.*

- **Section C** – *This section considers the human aspects of the budgeting process.*

- **Section D** – *The information required in this section is to enable evaluation of budgetary processes in relation to Organisation size, etc. This will help highlight any industry wide norms in budgetary procedures.*

Section A

1. **Why do you use budgets?** (Please tick all that apply)

- To aid long-term planning ☐
- To aid short-term planning ☐
- To aid control ☐
- To co-ordinate the operation ☐
- To evaluate performance ☐
- To motivate mangers ☐
- To communicate plans ☐
- Other (please specify) ☐

- We do not use budgets ☐ (please state reasons why)

---

2. **What information do you use to assist you in setting budgets?** (Please tick all that apply)

- Previous years budgeted figures ☐
- Previous years actual figures ☐
- In-house market analysis ☐
- National economic indicators ☐
- Local economic indicators ☐
- Industry statistics/indicators ☐
- Other (please specify) ☐

---

3. **Do you use a 'Top-down'** (budgets initiated at higher level and passed down the organisation for discussion before approval), **or a 'Bottom-up' approach** (budgets initiated at a lower management level and passed up the organisation for approval) **when setting budgets?**

- Top-down ☐
- Bottom-up ☐
- Combination (please explain) ☐
- Other (please explain) ☐

---

4. **Do you ever use Zero based budgeting?** (a process where specific budgets are taken from scratch and the cost/budget has to be justified and calculated from zero, not in relation to previous years actual, or budgeted figures).

- Yes ☐
- No ☐

If 'Yes', please explain how this is done i.e. on a one-off basis, routine X% of budgets per year, certain budgets always zero based, used for new hotels only, etc.

---

5. **Budgets are generally classified as short-term** (i.e. annual operational and capital budgets), **or long-term** (strategic, long-range budgets). **For what time period do you set your short-term budgets?**

a) **Short-term budgets**

- 6 month period ☐
- One financial year ☐

- A rolling 12 month period ☐
- Other (please specify) ☐ _____

6. **How far in advance of the start of this budgetary period does the process start for short-term budgets?**

- 1 month ☐
- 2 months ☐
- 3 months ☐
- 4 months ☐
- 5 months ☐
- 6 months ☐
- Other (please specify) ☐ _____

7. **On the following grid please show who is involved in the preparation of budgets within your Organisation and their level of involvement** (an example has been completed on the first line). ***I.e. Full involvement, Partial involvement, No involvement, or budget / management level not applicable to this Organisation.***

Budget:	Dept. budgets	Hotel budgets		Area budgets		Organisation budgets	
Management level:		Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
For example: Dept. Manager	*Full involvement*	*Partial involvement*	*None*	*N/A*	*N/A*	*None*	*None*
Dept. Manager							
Hotel Manager							
Area Management							
Head Office Management							
(other, please specify)							

Please feel free to add any additional comments you have concerning section A of the questionnaire, related to budgetary planning.

_____

_____

Section B

1. **Do you reforecast within a budgetary period?**

• Yes ☐ • No ☐

If yes, when during a budgetary period do you reforecast?

• monthly ☐ • quarterly ☐

• bi-annually ☐ • other (please specify) ☐

---

2. **Do you set specific benchmarks (significant variances) for investigating budget versus actual performance?**

• Yes ☐ • No ☐

If yes, are these expressed in:

• £'s ☐ • % ☐

• Repeat of adverse variance ☐ • combination of above ☐

• Other (please specify) ☐

---

3. **When significant variances are identified (adverse and favourable) what action is taken and by whom?** (obviously this may vary with the type of budget concerned, please comment on all levels of budgets in the table below)

Department budgets	
Hotel budgets	
Area budgets	
Organisation budgets	
Other (please identify) types of budgets	

4. **What role do budgets take in the monitoring of actual performance in your organisation?** Are they:

• The main performance indicator used ☐ • Little used for performance measurement ☐

• One of a few key indicators used ☐ • Other, please state _____

5. **What performance measures comparisons are used within your Organisation?**

• Previous years result ☐ • Budgeted figures ☐

• Reforecasted figures ☐ • Inter-Hotel comparison ☐

• Competitor comparison ☐ • Industry statistics ☐

• Set % of revenue ☐ • A balanced scorecard approach ☐

• Other, please state ☐ _____

6. **Do you use flexible-budgeting (the process were the original budget is 'flexed' to compare with actual sales volume) within your organisation?**

• Yes ☐ • No ☐

Please explain why.

---

7. **Are your budgetary planning and control procedures ever reviewed, or changed?**

• Not that I am aware of ☐ • Yes, but infrequently ☐

• Yes, on a routine basis ☐ (please state how frequently)

If yes, who is involved in such a review within your Organisation?

What were the changes, if any, that were made following the review of procedures?

---

8. **Do your formal budgetary planning and control procedures included the use of:**

• **A budget committee** ☐ • **Budget manuals** ☐

Please feel free to add any additional comments you have concerning section B of the questionnaire, related to budgetary control.

Section C

For each of the below statements please tick whether you agree or disagree, on the scale of 1 – 5. 1 being strongly agree and 5 being strongly disagree.

		1 Strongly Agree	2 Agree	3 Neither Agree or Disagree	4 Disagree	5 Strongly Disagree
1.	Individual Manager's authority and responsibility must be clear for budgetary control to work effectively.					
2.	Participation is key to managers accepting their budgets and considering them attainable.					
3.	Budgetary 'gamesmanship', where managers try to understate revenues and overstate costs, is an issue for us.					
4.	Manager's performance bonuses should be linked to achieving their budgetary targets.					
5.	Having budgets that are achievable, but difficult to attain motivates managers.					
6.	Participation in the budgetary process is key when using budgets as a performance measure for managers.					

Section D

1. Organisation Name: _____

2. Organisation Ownership (Public, Private, Parent Organisation, etc.):

_____

3. How many hotels does the Organisation operate?

1	2-5	6-10	11-30	31-50	51-75	75-100	101-150	151-200	200-300	300+
☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

4. Please estimate the number of hotel rooms within the Organisation.

<50	51-100	101-200	201-500	501-1,000	1,001-2,000	2,001-3,000	3,001-4,000	4,001-5,000	5,000-10,000	10,000+
☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

5. How would you describe the role of hotels within your organisation?

• Major part of its trade ☐ • One of many trading sectors ☐ • A minor element of the operation ☐

6. What is you estimated sales revenue (approximation), from hotels in the most recent financial year? £_____

7. How many levels of management are there within your organisation, between head office and Hotel level? (head office and Hotel level = 2, head office, area management and Hotel = 3)

1	2	3	4	5	6+
☐	☐	☐	☐	☐	☐

Thank you for your valuable time in completing this questionnaire. If you wish to receive a free industry summary of this survey, or would be interested in taking part further in this study, please indicate this in the box below, along with your contact details.

☐ Please me send a copy of summary report
☐ I would be willing to be involved further in this study.

Name:
Position:
Address:

Tel:
Fax:
E-mail:

Please return completed questionnaires in envelope enclosed to:

Mrs T A Jones - Senior lecturer,
School of Sport & Leisure,
University of Gloucestershire,
Francis Close Hall Campus,
Swindon Road,
Cheltenham,
Glos. GL50 4AZ

Tel: 01242 531005
Fax: 01242 543283
E-mail: Tjones@glos.ac.uk

(Please note: due to page formatting this is not presented with the same layout as presented to recipients)

Appendix 8

Executive Summary

«Name»
«Title»
«Company»
«Address»

Direct Line: 01242 531005
E-mail: Tjones@glos.ac.uk
19th July 2004

Dear «Name»,

Thank you for taking part in the recent survey concerning budgetary practices in the UK hotel industry. As requested, I am enclosing an executive summary and the results of this survey. I do hope you find these useful and please do not hesitate to contact me if you have any questions regarding these.

This is part of an on-going project, the next phases is to establish why current practise is as it is. For example, why are flexible budgeting and zero-based budgeting little used techniques within the hotel industry? Equally, as an industry, why are we not reviewing our budgetary procedures on a routine basis?

The next phase of this work is to conduct brief interviews with individuals to answer these questions. If you would be willing to answer such questions, from your own perspective, I would be grateful to here from you. Please contact me by mail, phone or e-mail if you would consider being interviewed.

Many thanks for your involvement.

Yours sincerely,

Tracy Jones, M.Phil., BSc(Hons)., MHCIMA, ABHA.
Senior Lecturer

Budgetary Planning and Control Procedures
Results Executive Summary – July 2004

Who took part?
Organisations varied from those operating over 300 hotels, to those with one hotel, with sales revenue ranging from £3m to over £600m a year. Almost a third were Plc, with the majority of the others being private companies. The vast majority (93.5%) viewed hotels as a major part of their trade. See section D in attached results for more detailed information.

Why do you use budgets?
Everyone cited, 'to aid control' as a reason why they produce budgets, closely followed by 'to evaluate performance' (96.8%). The least frequently cited reasons were 'to co-ordinate the operation' and 'to communicate plans'.

What information do you use to assist you in setting budgets?
All used previous years actual figures. In-house market analysis, local economic indicators and industry statistics and indicators generally supported these. Least used were previous years budgeted figures and national economic indicators.

Top-down or bottom up budgeting approach?
A quarter of organisations used a top-down approach, with the rest being equally split between using a bottom-up approach and a combination approach. Of those using a combination approach generally this involved benchmarks being set by head office, but detailed budgets being generated bottom-up.

Use of zero-based budgeting?
The majority (58.1%) did not use this method of budgeting. Of those that did use it, the majority only viewed it as a tool to be used for new hotels, projects or concepts i.e. where no previous data exists.

The short-term budgetary preparation
The vast majority (93.5%) produced their budgets for the period of one financial year; others used either a six-month period or a rolling 12-month period. Approximately half the organisations started the process 3 months in advance of the budgetary period, with a third taking more than three months to complete the process. As you might also expect, managers were more likely to be involved in budgeting for their own level within the organisation than at others. Generally there was more management involvement downwards, rather than up the organisational structure. For example an area manager would be more likely to be involved in setting hotel and hotel department budgets than involved at head office level.

Reforecasting within the budgetary period
Half of those surveyed reforecast their budgets on a monthly basis, with others undertaking this quarterly. Reforecasting was not undertaken by 29% of the organisations.

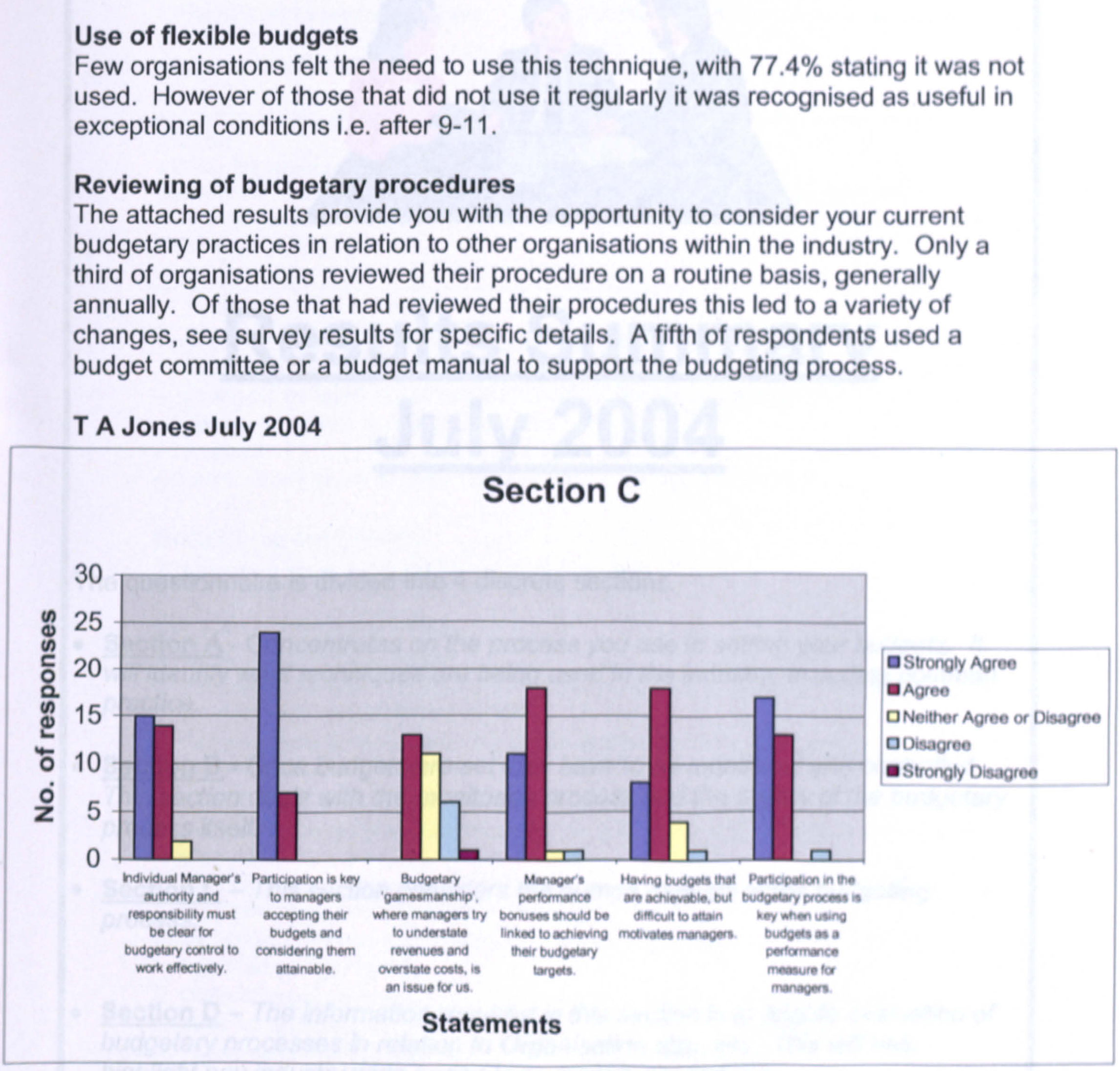
Benchmarks for investigating variances
The majority (71%) of organisations set specific benchmarks for triggering investigation into budgetary variances. Most popular was a combination of a % and £ benchmark, with the sole use of a % variance being next. When variances are identified action tends to be taken by managers with direct responsibility at that level and their own line manager. Accountants and controllers are often also involved in the investigation of such variances.

Budgets within performance measurement
Budgets are viewed as the main performance indicator, or one of a few key indicators by all. Previous years figures and budgeted figures are the key performance indicators used by those taking part in this survey.

Use of flexible budgets
Few organisations felt the need to use this technique, with 77.4% stating it was not used. However of those that did not use it regularly it was recognised as useful in exceptional conditions i.e. after 9-11.

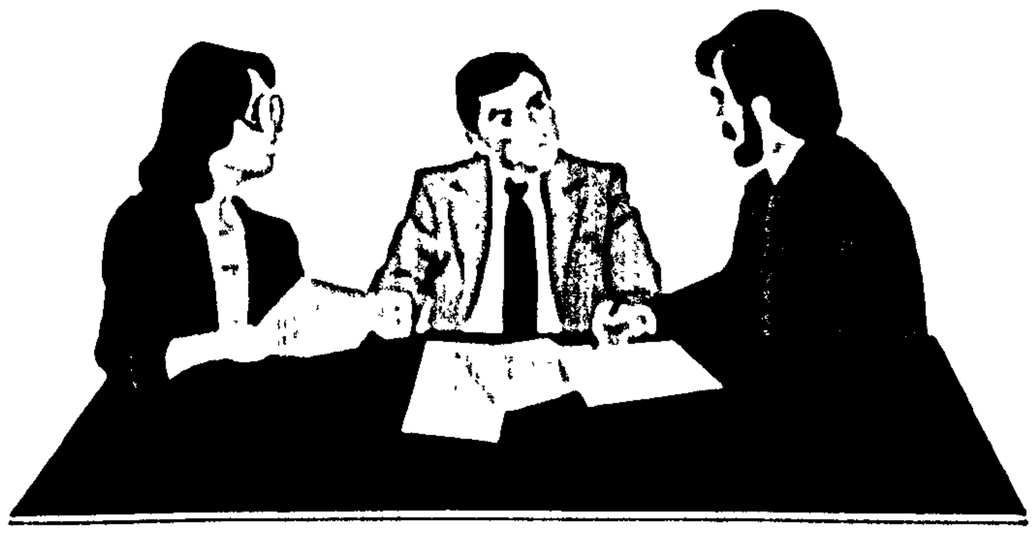
Reviewing of budgetary procedures
The attached results provide you with the opportunity to consider your current budgetary practices in relation to other organisations within the industry. Only a third of organisations reviewed their procedure on a routine basis, generally annually. Of those that had reviewed their procedures this led to a variety of changes, see survey results for specific details. A fifth of respondents used a budget committee or a budget manual to support the budgeting process.

T A Jones July 2004



Hotel Operators Questionnaire

Budgetary Planning and Control Procedures



Results Summary

July 2004

The questionnaire is divided into 4 discrete sections.

- **Section A** - *Concentrates on the process you use in setting your budgets. It will identify what techniques are being used in the industry, including common practice.*

- **Section B** - *Once budgets are set they have to be monitored and controlled. This section deals with the monitoring process and the review of the budgetary process itself.*

- **Section C** – *This section considers the human aspects of the budgeting process.*

- **Section D** – *The information required in this section is to enable evaluation of budgetary processes in relation to Organisation size, etc. This will help highlight any industry wide norms in budgetary procedures.*

Section A

1. Why do you use budgets? (Please tick all that apply)

• To aid long-term planning	**23 (74.2%)**	• To aid short-term planning	**22 (71.0%)**
• To aid control	**31 (100%)**	• To co-ordinate the operation	**14 (45.2%)**
• To evaluate performance	**30 (96.8%)**	• To motivate mangers	**20 (64.5%)**
• To communicate plans	**15 (48.4%)**	• Other (please specify)	**see below**

Owner/franchisor requirements. Reporting method for bank.

• We do not use budgets **0**

---

2. What information do you use to assist you in setting budgets?
(Please tick all that apply)

• Previous years budgeted figures	**13 (41.9%)**	• Previous years actual figures	**31 (100%)**
• In-house market analysis	**24 (77.4%)**	• National economic indicators	**18 (58.1%)**
• Local economic indicators	**23 (74.2%)**	• Industry statistics/indicators	**23 (74.2%)**
• Other (please specify)	**See below**		

Strategic & marketing plans for development in the current year. Current maintenance schedules. Contracts. Forward bookings * 2. Three year objectives and strategy.

---

3. Do you use a 'Top-down' (budgets initiated at higher level and passed down the organisation for discussion before approval), or a 'Bottom-up' approach (budgets initiated at a lower management level and passed up the organisation for approval) when setting budgets?

• Top-down	**8 (25.8%)**	• Bottom-up	**11 (35.5%)**
• Combination (please explain)	**12 (38.7%)**	• Other (please explain)	**0**

Bottom-up comments

- **Largely bottom-up but with central guidance up front.**

Combination comments

- **Depending on department.**
- **First iteration will be bottom-up but there will be top-down feedback if the numbers do not fit the overall group picture.**
- **Growth goals completed in the spring and hotels are held to approved goals - % increase over financial year.**
- **Head office staff and the local general manager prepare the budgets jointly.**
- **Hopefully you get the commitment from managers and content of the long range plan.**
- **Initial budget preparation by unit general managers, subject to review meeting, substantiation and adjustment as required.**
- **Managers produce draft budgets. These are discussed in detail with directors and adjusted as necessary.**
- **Overall target set top-down. Detail on how to meet it done bottom-up.**
- **Sent for approval from the unit initially to central – then negotiated!**
- **Top-down to define framework, bottom-up to prepare detail.**
- **Top-down to provide a benchmark & aspirational budget. Bottom-up at the business unit level.**

---

4. **Do you ever use Zero based budgeting? (a process where specific budgets are taken from scratch and the cost/budget has to be justified and calculated from zero, not in relation to previous years actual, or budgeted figures).**

• Yes 11 (35%) • No 18 (58.1%)

No response to question 2 (6.5%)

If 'Yes', please explain how this is done i.e. on a one-off basis, routine X% of budgets per year, certain budgets always zero based, used for new hotels only, etc.

Comments:

- **All budgets**
- **Based on specific managers knowledge of the area in question.**
- **Costs always zero based**
- **Last year is purely a guide, but not a benchmark, each area has to be justified on its own merits.**
- **New concepts**
- **New hotels 3**
- **One off basis 2**
- **Post any reorganisation**
- **Specific projects**

---

5. **Budgets are generally classified as short-term (i.e. annual operational and capital budgets), or long-term (strategic, long-range budgets). For what time period do you set your short-term budgets?**

a) **Short-term budgets**

• 6 month period	**1 (3.2%)**	• One financial year	**29 (93.5%)**
• A rolling 12 month period	**1 (3.2%)**	• Other (please specify)	**0**

Comment: Presently 1 year, but want this to move to rolling period. One financial year, plus a 5-year 'big picture' plan.

6. **How far in advance of the start of this budgetary period does the process start for short-term budgets?**

• 1 month	**1 (3.2%)**	• 2 months	**4 12.9%)**	• 3 months	**15 (48.4%)**
• 4 months	**5 (16.1%)**	• 5 months	**3 (9.7%)**	• 6 months	**2 (6.5%)**

• Other (please specify)

No response 1 (3.2%)

7. On the following grid please show who is involved in the <u>preparation</u> of budgets within your Organisation and their level of involvement (an example has been completed on the first line). *I.e. Full Involvement, Partial involvement, No involvement, or budget / management level not applicable to this Organisation.*

Budget:	Dept. budgets	Hotel budgets		Area budgets		Organisation budgets	
Management level:		**Short-term**	**Long-term**	**Short-term**	**Long-term**	**Short-term**	**Long-term**
For example: Dept. Manager	*Full involvement*	*Partial involvement*	*None*	*N/A*	*N/A*	*None*	*None*
Dept. Manager	Full 17 Partial 5 No 0	Full 6 Partial 14 No 3	Full 1 Partial 3 No 11	Full 0 Partial 0 No 4	Full 0 Partial 0 No 3	Full 0 Partial 1 No 7	Full 0 Partial 0 No 7
Hotel Manager	Full 21 Partial 3 No Full/partial 1	Full 25 Partial 3 No 0	Full 9 Partial 9 No 4	Full 0 Partial 0 No 3	Full 0 Partial 0 No 2	Full 1 Partial 0 No 7	Full 0 Partial 0 No 7
Area Management	Full 5 Partial 5 No 3	Full 7 Partial 8 No 0 Full/partial 1	Full 5 Partial 6 No 1	Full 7 Partial 1 No 1	Full 4 Partial 2 No 0	Full 2 Partial 2 No 1	Full 2 Partial 2 No 1
Head Office Management	Full 10 Partial 5 No 7 Full, for HO depts. only 1	Full 16 Partial 8 No 2	Full 17 Partial 5 No 2	Full 7 Partial 2 No 1	Full 6 Partial 3 No 1	Full 21 Partial 0 No 0 Full/partial 1	Full 19 Partial 0 No 0
(other, please specify) Hotel Financial controller (1)		Full 1	Partial 1				
Directors (2)	Partial 2	Full 1 Partial 1	Full 1 No 1	Full 1	Full 1	Full 1	Full 1

Note: not all participants answered this question and the use of 'no' and N/A was inconsistent between respondents. Not all organisations have all these level s of management. Two responses not included as incorrectly completed.

Please feel free to add any additional comments you have concerning section A of the questionnaire, related to budgetary planning.

- **Budgets are supplemented with monthly forecasts, benchmarking statistics and long-term cash flow forecasts.**
- **The MD is also GM of the largest of 2 hotels.**
- **Hotel budgets are compiled by hotel GM, FC & Dept. managers and agreed by MD/area manager. Corporate budgets completed by Head Office management. The two are combined to create group budget.**

Section B

1. Do you reforecast within a budgetary period?

• Yes **22 (71.0%)** • No **9 (29.0%)**

If yes, when during a budgetary period do you reforecast?

• monthly **15 (48.4%)** • quarterly **6 (19.4%)**

• bi-annually **1 (3.2%)** • other (please specify) **1 (3.2%)**

Weekly

2. Do you set specific benchmarks (significant variances) for investigating budget versus actual performance?

No Response 1 (3.2%) • Yes **22 (71.0%)** • No **8 25.8%)**

If yes, are these expressed in:

• £'s **3 (9.7%)** • % **7 (22.6%)**

• Repeat of adverse variance **1 (3.2%)** • combination of above **12 (38.7%)**

• Other (please specify) **Any +/- variance can be reviewed.**

3. When significant variances are identified (adverse and favourable) what action is taken and by whom? (obviously this may vary with the type of budget concerned, please comment on all levels of budgets in the table below)

Department budgets	➢ Analysis of past performance and proposed remedial action. ➢ Explanation of variance and what is being done to correct or compensate. ➢ Follow-up and agree action plan. ➢ General manager discusses with HoD ➢ GM discusses with department head. ➢ Heads - note issues/reason & provide action plan. ➢ HoD takes corrective action. ➢ Hotel manager and controller follow through variances with department heads. ➢ Hotel to evaluate and manage variance to ensure profitability is not adversely affected. ➢ If adverse tighten control. ➢ Investigated at local level by GM ➢ Investigation and if appropriate changes made to reduce cost or justify expense. ➢ Investigation by accounts controller, hotel manager & HoD. ➢ Investigation by hotel general manager & department manager. 4 ➢ Payroll + cost + revenue review with action plan ➢ Query and investigate from top-down. ➢ Receive monthly actual v. budget at management meetings. ➢ Variance is investigated to identify if it is likely to continue.
Hotel budgets	➢ Analysis of past performance and proposed remedial action. ➢ Area director discusses with GM ➢ Area manager discusses with head office & hotel GM. ➢ Budget lowered by head office management. ➢ Challenged centrally, investigated locally with corrective action as required.

	➢ Explanation of variance and what is being done to correct or compensate. ➢ Financial review meetings & agreed action plan. ➢ Follow-up and agree action plan. ➢ GM and regional director investigate. ➢ GM/HoD - note issues/reason & provide action plan. ➢ HoD/GM takes corrective action. ➢ Hotel manager and controller follow through variances with department heads. ➢ Hotel to evaluate and manage variance to ensure profitability is not adversely affected. ➢ If adverse tighten control, plus look at success/failure of marketing strategy. ➢ Investigate and assess reasons for variance. Take action to rectify or detail reason to area management for variance. ➢ Investigate why. ➢ Investigation by accounts controller and hotel manager. ➢ Investigation by area manager, directors and general manager. ➢ Investigation by department manager and general manager. ➢ Investigation by GM and Finance dept. ➢ Investigation by hotel manager. ➢ Payroll + cost + revenue review with action plan ➢ Query and investigate from top-down. ➢ Receive monthly actual v. budget at management meetings.
Area budgets	➢ Analysis of past performance and proposed remedial action. ➢ Area managers follow through variances with hotel managers. ➢ Explanation of variance and what is being done to correct or compensate. ➢ Finance director, operations director & regional director investigate. ➢ GM/area manager takes corrective action. ➢ MD discusses with area director. ➢ Query and investigate from top-down. ➢ Regional GM - note issues/reason & provide action plan.
Organisation budgets	➢ Analysed and reported on centrally. ➢ Analysis of past performance and proposed remedial action. ➢ Directors & accounts controller investigate. ➢ Do not know. ➢ Executive board follow through variances with area managers and area controllers. ➢ Finance director & operations director investigate. ➢ Investigation by directors and group accountant. ➢ Investigation by directors. ➢ PLC discusses with divisional MD. ➢ Query and investigate from top-down. ➢ Reassess implication on group cash flow and take action to ensure business is managed accordingly. ➢ Senior head office manager & finance director investigation. ➢ Tighten control; look at overall strategy & market factors.
Other (please identify) types of budgets	

Other comments:

Impossible to comment – too variable
Additional comment illegible

4. What role do budgets take in the monitoring of actual performance in your organisation? Are they:

- The main performance indicator used **17 (54.8%)**
- Little used for performance measurement **0**
- One of a few key indicators used **14 (45.2%)**
- Other, please state **0**

5. What performance measures comparisons are used within your Organisation?

• Previous years result	**31 (100%)**	• Budgeted figures	**29 (93.5%)**
• Reforecasted figures	**18 (58.1%)**	• Inter-Hotel comparison	**19 (61.3%)**
• Competitor comparison	**17 (54.8%)**	• Industry statistics	**16 (51.6%)**
• Set % of revenue	**10 (32.3%)**	• A balanced scorecard approach	**5 (16.1%)**
• Other, please state	**2 (6.5%)** Return on Investment. KPIs, traffic light system		

6. Do you use flexible-budgeting (the process were the original budget is 'flexed' to compare with actual sales volume) within your organisation?

- Yes **7 (22.6%)**
- No **24 (77.4%)**

Please explain why

'Yes' Comments:

- Like for like year on year.
- Monitors margin control.
- Substantial costs are based on % of actual turnover.
- The budget does not change but the forecast may change to keep within budget guidelines i.e. sales per man-hour, cover ratio, etc.
- Used to monitor variable costs BUT original budget still stands.
- Additional comment illegible

'No' Comments:

- Have not reached this point yet.
- Normally the budgets are accurate. The incremental profits from additional revenue are predictable.
- Not a format used at budget level.
- Not normal practice, but may be used on occasions such as 9-11 when previous years data cannot be used.
- Revenue is the base for all budgets.
- Too complex
- Use flex as an understanding tool but not a budget tool.
- Weekly forecast sufficient to control business.

7. Are your budgetary planning and control procedures ever reviewed, or changed?

- Not that I am aware of **6 (19.4%)**
- Yes, but infrequently **15 (48.4%)**
- Yes, on a routine basis **10 (32.3%)**

(please state how frequently) **Yearly 5, Weekly 1, On-going 1**

If yes, who is involved in such a review within your Organisation?

- **Accounts Controller 1**
- **Chief Operating Managers 5**
- **Commercial Finance Manager 1**
- **Executive Management 4**
- **Finance Director 12**
- **Financial Controller 1**
- **General Manager 2**
- **MAC 1**
- **Managing Director 4**
- **Planning Department 1**
- **Reporting Manager 1**
- **Sales Director 1**

What were the changes, if any, that were made following the review of procedures?

- **Different targets e.g. IBFC, IAFC, PBIT, ROCE**
- **Format 2**
- **Information requirements 1**
- **Key performance indicators 1**
- **Method of compiling budget 1**
- **More concise instructions 1**
- **Timing 2**
- **Tools used 1**
- **Validation process 1**
- **Various 1**

8. Do your formal budgetary planning and control procedures included the use of:

• A budget committee 6 (19.4%) • Budget manuals 6 (19.4%)
N.b. not the same 6 for each question

Please feel free to add any additional comments you have concerning section B of the questionnaire, related to budgetary control.

- **After budgets put together by hotel reviewed by group operations director, sales director and group financial controller. Final review by managing director and deputy chairman. Then presented to chairman and bank.**
- **No budget manual, but have guidelines and instructions.**
- **The budget committee is the Finance Director, Managing Director & Operations Director.**
- **The size of the organisation does not require a budget committee or manual.**

Section C

For each of the below statements please tick whether you agree or disagree, on the scale of 1 – 5. 1 being strongly agree and 5 being strongly disagree.

		1 Strongly Agree	2 Agree	3 Neither Agree or Disagree	4 Disagree	5 Strongly Disagree
1.	Individual Manager's authority and responsibility must be clear for budgetary control to work effectively.	15	14	2	0	0
2.	Participation is key to managers accepting their budgets and considering them attainable.	24	7	0	0	0
3.	Budgetary 'gamesmanship', where managers try to understate revenues and overstate costs, is an issue for us.	0	13	11	6	1
4.	Manager's performance bonuses should be linked to achieving their budgetary targets.	11	18	1	1	0
5.	Having budgets that are achievable, but difficult to attain motivates managers.	8	18	4	1	0
6.	Participation in the budgetary process is key when using budgets as a performance measure for managers.	17	13	0	1	0

Notes added in relation to statement 4:

- But not totally.
- Within reason, but must take into account outside forces i.e. war, weather, terrorism.

Section D

1. Organisation Name: ***Confidential Information***

2. Organisation Ownership (Public, Private, Parent Organisation, etc.):

- **Parent organisation 1 (3.2%)**
- **Partnership 1 (3.2%)**
- **Private company 19 61.3%)**
- **Public company 10 (32.3%)**

1. How many hotels does the Organisation operate?

1	2-5	6-10	11-30	31-50	51-75	75-100	101-150	151-200	200-300	300+
2	8	5	5	1	2	4	0	0	0	4
(6.5%)	(25.8%)	(16.1%)	(16.1%)	(3.2%)	(6.5%)	(12.9%)	(0%)	(0%)	(0%)	(12.9%)

4. Please estimate the number of hotel rooms within the Organisation.

<50	51-100	101-200	201-500	501-1,000	1,001-2,000	2,001-3,000	3,001-4,000	4,001-5,000	5,000 - 10,000	10,000+
2	0	6	3	3	4	1	0	1	3	8
(6.5%)	(0%)	(19.4%)	(9.7%)	(9.7%)	(12.9%)	(3.2%)	(0%)	(3.2%)	(9.7%)	25.8%)

5. How would you describe the role of hotels within your organisation?

- Major part of its trade **29 (93.5%)** • One of many trading sectors **2 (6.5%)**
- A minor element of the operation **0**

6. What is you estimated sales revenue (approximation), from hotels in the most recent financial year? ***(all in millions)***

£1-5m	£6-10m	£11-30m	£31-50m	£51-100m	£101-200m	£200-300m	£300+m
7	1	6	2	5	2	3	2

5. How many levels of management are there within your organisation, between head office and Hotel level? (head office and Hotel level = 2m, head office, area management and Hotel = 3)

1	2	3	4	5	6+
0	16	13	2	0	0
(0%)	(51.6%)	(41.9%)	(6.5%)	(0%)	(0%)

Thank you for your valuable time in completing this questionnaire.

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Appendix 9

Interviewer Question Sheet

Semi-structured phone interviews

Opening

- Confidential, anonymous process, only to be used for the purpose of this research.
- Easier for me if taped, willing to be taped?

Question 1

The most commonly cited reasons for budgeting by industry was to aid control and to evaluate performance. Why do you think this is the case?

Q1a

Textbooks mostly commonly cited reasons for budgeting are to aid planning and control. Why do you think industry and textbooks differ?
(prompt – textbooks process driven?)

Question 2

There is an argument that the previous year's budget provides useful information when setting a budget. What are your views on this?

Question 3

Both industry and theory support the view that participation is important in the budget setting process. Given this, why do you believe a bottom-up approach to budgeting is not more widely used within the hotel industry?

Question 4

Few people surveyed routinely used zero-based budgeting. Why do you believe this to be the case?

Q4a

Do you consider or not zero-based budgeting to be a cost effective approach to budgeting? Why?

Question 5

Most commonly, organisations budget for one financial year at a time and start the process 3 months in advance of the budgetary period. What factors influence how far in advance you start the budget planning process in your organisation?

Question 6

Within the budgetary period, most commonly, organisations reforecast the budget on a monthly basis, but for performance evaluation purposes were

more likely to refer to the original budget. Why do you believe this to be the case?

Question 7

All those questioned in industry used budgets to monitor actual performance, either as the main indicator, or one of a few key indicators. Why do you believe budgets are considered important to performance measurement?

Q7a

Do you believe budgets will continue to be consistently used within industry for performance measurement?

Question 8

The use of flexible budgeting, where the original budget is 'flexed' to the actual volume of sales, for comparison is little used within the hotel industry. Why do you believe this to be the case?

(prompt - One suggestion is this is because the industry has a high proportion of fixed costs.)

Question 9

A few organisations reported routinely reviewing their budgetary procedures on an annual basis. However others reported they did not review these procedures, or did so infrequently. Why do you consider this to be the case?

Question 10

Only a few organisations reported the use of a budget committee or budget manual. Why do you think this is the case?

Question 11

Are there any specific issues/points you would wish to raise concerning budgeting with the hotel industry which have not already covered?

Closing

Thanks for time, etc.

Appendix 10

Letter sent 19th November 2004

(Note: original on headed paper)

(Name)
(Title)
(Company)
(Address)

Direct Line: 01242 531005
E-mail: Tjones@glos.ac.uk
19th November 2004

Dear (Name)

Thank you for taking part in the recent survey concerning budgetary practices in the UK hotel industry. At the time you identified you would be willing to be further involved in this study, which is why I am now writing to you.

As mentioned in my previous letter, the next phase is to establish why current industry practise is as it is. The simplest and most time-efficient way to do this is by a phone interview. This will allow me to get in-depth responses to my questions, but without consuming too much of your valuable time. I anticipate this taking 10-15 minutes.

I shall contact your office during the next week to arrange a convenient time for an interview to take place.

Many thanks for your involvement.

Yours sincerely,

Tracy Jones, M.Phil., BSc(Hons)., MHCIMA, ABHA.
Senior Lecturer

Appendix 11

Sample Interview Transcript

Semi-structured phone interview A

Opening

- Confidential, anonymous process, only to be used for the purpose of this research.
- Easier for me if taped, willing to be taped?

Question 1

The most commonly cited reasons for budgeting by industry was to aid control and to evaluate performance. Why do you think this is the case?

We have 32 business units/hotels out there so naturally we need to monitor each individual business unit, which generates the sum of millions of pounds profit each year. The budget is the starting point where they will prepare the business plan, which is their sales plan for the year. Naturally we as accountants want to know what profit will be generated from that business plan and that's what they will be measured against. One reason is simply, measuring, maintain, recognising and monitoring what they say they are going to achieve. Also as important for us, as a company, actually is that it comes down to the fundamental point that our General Managers are bonused on their budget.

(Again the bigger the business the more of a distance you are from the operation, therefore the more you rely on those figures to actually show you what's happening)

Absolutely, we do forecast, but our budget is uploaded into our General Ledger system and that's what we get every month in our management accounts. And that's what we will review, that is the fundamental document we review.

Q1a

Textbooks mostly commonly cited reasons for budgeting are to aid planning and control. Why do you think industry and textbooks differ?
(prompt – textbooks process driven?)

What do you mean by planning? Do you mean business planning?

(Yes. The planning of the business)

Certainly our budgets, with the business units are annual budgets; therefore they can only be tactical budgets. We cannot use the budgets to look far into the future and plan the strategy of the company for the future so I suppose that is fair comment, yes.

(Yes. One of my theories is that textbooks are process driven, whereas the industry is more looking at it in terms of usefulness and how they use it (the budget) as a tool)

Yes I think that is absolutely fair comment.

Question 2

There is an argument that the previous year's budget provides useful information when setting a budget. What are your views on this?

No not at all. Us specifically, and I am sure this is true of a lot of companies, that we start our budget process in August of the previous year and an awful lot of things change. It is a bit of a cliché but it is difficult to see a week ahead in the current business environment and that's been particularly true of the hotel business. So certainly by the end of the budget it is 18 months old so there is no way on Earth we are going to use a prior budget. For industry it is the forecasts and the actuals that are the real numbers.

Question 3

Both industry and theory support the view that participation is important in the budget setting process. Given this, why do you believe a bottom-up approach to budgeting is not more widely used within the hotel industry?

Again from our perspective we do both a bottom-up and top-down approach. The starting point, what we call our 'flash budget we do pretty much top-down. But what we do, this thing participation, I absolutely agree that's very close to the top of our list of criteria. Our General Managers, not least because they are bonused on it, have to feel they have participated and what we call ownership of the budget. So just before the budget is signed off and loaded into our General Ledger system the hotels will do what we call a detailed budget. And that is down to ledger code, bottom-up. Now we would like it to come back to the flash budget, however if it doesn't and there are justifiable reasons for it not being then we do accept that. Therefore we do bottom-up budgets. I can't remember your exact question, does that answer it?

(yes)

Question 4

Few people surveyed routinely used zero-based budgeting. Why do you believe this to be the case?

I think that is right, again from my experience I don't think, as you said may be with a new project you can Zero base, but I don't think as a business the hotel business is relatively static and predictable there is no way a hotel is going to ignore the sales they have achieved in the year before. Unless the strategy has absolutely fundamentally changed the positioning of that hotel in

the marketplace, which frankly it doesn't that hotel, which is a four star hotel for an example has been there 30, 40, 50 years. They have core customers, of course your starting point on your sales will be what did I do last year in January, this is the way the market is going, I think I am going to get a couple of points growth, I know this customer has gone to another hotel group, therefore I can adjust my prior year. So that is certainly why we would never use zero based budgeting.

Q4a

Do you consider or not zero-based budgeting to be a cost effective approach to budgeting? Why?

Its great in theory isn't it? The reality is the time. You try telling a General Manager I do not want you to look at last year and I want you to zero base - tell me what you really think this hotel can really do. Great but the market place is such that you know there are customers out there, you know this is the average rate you can achieve, there is no point in saying I think we can get an extra £5 on the rate, so you don't in terms of costing in the hotel business and I think this is true of most service industries you do not set your standard cost, add your margin on it, it is what the market will bare. Therefore it has to be the starting point is, what have you achieved last year and you are going to achieve something like that or a bit more this year.

Question 5

Most commonly, organisations budget for one financial year at a time and start the process 3 months in advance of the budgetary period. What factors influence how far in advance you start the budget planning process in your organisation?

We have specific factors, as a Plc, we look at our end point, when our lenders needed a report and therefore we work backwards. To get 30, 40, 50 hotels budgets together for this point, we simply work backwards, so we start 6 months ahead. Under new ownership, this process is likely to be shorter in the future.

(From the survey data, one assumption was that size/tiers of management might influence when you start i.e. the more hotels the longer the budgeting period, but the statistical analysis does not support this.)

Technology is important in that frankly if you have 30, 40 or 200 hotels pulling the data down will not take you any longer than for 10 hotels. Certainly I do not think the size of the business is an influence. In terms of layers of management possibly the signing off could take longer, but you tend to get organised and set down time for this so it should not be relevant really.

(Note question 5 answer is paraphrased, due to specific company information given)

Question 6

Within the budgetary period, most commonly, organisations reforecast the budget on a monthly basis, but for performance evaluation purposes were more likely to refer to the original budget. Why do you believe this to be the case?

Our company specifically, because GMs are bonused on their profit, it is inevitable we have to measure them against their budget. Some years, for example after 9/11, where the hospitality industry went through the floor we had to re-budget, reforecast if you like and re-targeted the hotels then their bonus was on a new target. Unless something dramatic happens your budget should be reasonably accurate and ultimately that is the way we set bonuses and that is the reality GMs know, and everyone knows, they are bounused on their budgets. Therefore that's the important number if you like. The forecast is the most recent operational number that obviously you would review with hotels and talk about recent issues, but never the less it is still on budget that we bonus and that is the way we as a company would look at it.

Question 7

All those questioned in industry used budgets to monitor actual performance, either as the main indicator, or one of a few key indicators. Why do you believe budgets are considered important to performance measurement?

The amount of effort that is put into the budget, historically here and in many companies the amount of effort that is put into it, weeks, if not months of work go into it, so we do believe here our budgets tend to be robust and they are documents that we can use to control and monitor. So for all those reasons that's why we continue to use our budgets as the prime tool. But also to repeat it, it is pretty unusual in my experience, I have been in other industries that material bonuses are paid on the profitability, there are a number of other measures, but the bulk of a General Managers bonus is based on the budget. Therefore it is inevitable that everybody's eye will be on the budget because they are earning cash on it.

Q7a
Do you believe budgets will continue to be consistently used within industry for performance measurement?
(Again, theory is moving on and there is a lot of work concerning beyond budgeting i.e. budgeting is dead and buried and budgeting is just a ritual within industry and is not a useful tool)

Yes, I don't subscribe to that I think the reality is, and you will know better than I if you survey a hundred companies I bet 98 still budget.

(Absolutely, not just in our industry, if you look at surveys across manufacturing it always comes back that out of every management

accounting tool, budgeting is the management accounting tool that is most used.)

Yes, I think the debate really should be over, it is I think, it is not this beyond budgeting and all these clichés and buzz words it is really what people are saying is, are there different ways of doing it? And I think we all agree yes we couldn't all agree whether its zero based budgeting or whatever, but I think frankly it is a nonsense this not budgeting. I have heard a couple of big American companies claim not to budget, I don't believe it I am sure they are doing it in one way or another, even if they do not call it a budget. In a sense it [budgeting] is intuitive, on a personal point of view you earn X salary a year and you budget don't you albeit with a small 'b'.

Question 8

The use of flexible budgeting, where the original budget is 'flexed' to the actual volume of sales, for comparison is little used within the hotel industry. Why do you believe this to be the case?

We do do this on an adhoc basis. That is really for the cost monitoring I suppose. To see if we had had a material decline in Sales for example, we flex their costs downwards. Yes we do do that. It is only used where we think we have an issue.

(prompt - One suggestion is this is because the industry has a high proportion of fixed costs.)

There is always a danger, and we see it that sales have dropped, then you look at payroll and it hasn't moved. Yes a lot of it is fixed, but frankly it is moving away from that, 40% of our labour is now variable. Not just in terms of based on volume of sales, but they are casual labour so no we are hot on it. It is very easy to say, well I haven't achieved my profit because the sales have dropped.

Question 9

A few organisations reported routinely reviewing their budgetary procedures on an annual basis. However others reported they did not review these procedures, or did so infrequently. Why do you consider this to be the case?

It's the old cliché if its not broke don't fix it. So I think that's what people do, they achieve a profit, the system seems to work, there's no major hiccups, they end with a budget that the directors are happy to look at and sign off. So it could be construed as an easy life or indeed that it works. We actually do every year, we look at it, not so much the fundamentals of whether we are going to decide to do zero based budgeting or another a method. It is how the process is going to work. For example this year we did a flash budget and a detailed budget, the hotels had to do that. Last year for example we did the hotels budgets at the centre because there was constant grips from the hotels, particularly as a budget process is so long there is a suggestion

that the GMs and Financial Controllers as they spend so long crunching these numbers. We tried to help them out and did the budgets at the centre with the operations director, there was obviously feedback from the hotels. This year we re-evaluated the situation and said, well for various reasons - no we will do the flash budget and the hotels will do the detailed budget. So we will look at our process every year.

Question 10

Only a few organisations reported the use of a budget committee or budget manual. Why do you think this is the case?

Somebody is employed at the centre and the manual has been sitting on the shelf for the past 10 years so if there is a new person they take it off the shelf, may be update it, everybody is use to it. Again, theoretically someone can go to a manual and turn the page and find out what to do. I think the reality with manuals is if they are heavy and they have been in place for years and years, I have been in other organisations that have had manuals and frankly they are not looked at. If I have read it the year before I know what to do so am not going to read it again. It just gathers dust on the shelf and takes more time to maintain. We do things by exception, people know what is required, we issue guidelines that may be 3, 4, 5 pages long at the most giving the key points. There are models the hotels have to use, how they want to build the models is up to them, so we give them some flexibility there, but we have certain guidelines that they have to follow, but certainly I am not a great fan of manuals.

Question 11

Are there any specific issues/points you would wish to raise concerning budgeting with the hotel industry which have not already covered?

I do not think so, I think we have talked around some points that has covered any other issues.

Closing

Thanks for time, etc.

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