



Adoption and Use of Management Accounting Practices in Hospitality Industry (with Special Reference to Hotel Sector in Lucknow U.P.)

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ABSTRACT:

The hospitality sector's economic significance is undeniable, with hotels playing a pivotal role in various economies worldwide. Effective management accounting practices are essential for the success of hotel enterprises, aiding in decision-making and maintaining competitiveness. This paper aims to explore the utilization of management accounting practices (MAPs) in Indian hotel companies, with a particular focus on Lucknow. Through a comprehensive examination, it seeks to assess the importance and adoption of MAPs, shedding light on factors influencing their implementation.

Introduction:

The hospitality industry has experienced significant transformations in recent years, influenced by globalization and technological advancements. India, as a burgeoning economy, is no exception, with the hotel sector serving as a crucial contributor to its growth. Understanding the management accounting practices employed in this sector is imperative for enhancing organizational efficiency and strategic decision-making. This paper delves into the landscape of MAPs within Indian hotels, aiming to fill the existing gap in empirical research and provide insights into their effectiveness.

Literature Review:

Early theories such as the Contingency Approach laid the foundation for understanding management accounting's adaptive nature, emphasizing the need for tailored approaches rather than a universal system. Studies by Bromwich and Bhimani highlighted the strategic dimensions of cost management, while subsequent research by Chand and Ambaradar explored variations in MAP usage among Indian hospitality and service businesses. Additionally, scholars like Drury, Hilton, and Platt provided insights into the fundamental principles of management accounting and its role in organizational decision-making. However, gaps persist, particularly in understanding the application of MAPs in specific contexts such as the hotel industry.

Methodology:

The aim of this paper was to investigate the situation about using management accounting techniques by hotel enterprises (with special reference to hotels in Lucknow). For achieving this aim, Primary Data has been collected.

Research design- was Qualitative data was collected using qualitative techniques, semi structured telephonic interviews were conducted.

Participants - Manager/ General manager/ Chartered Accountants of the selected hotels.

Research Instrument-

Convenience sampling has been used from stratified sampling techniques.

The prepared questions were divided into three parts. At the first part, there were some general questions (e.g. Name of the hotel, name of the participants, year of experience of the participants, etc.) By gathering these data of these general questions, one can acquire knowledge about the position of hotels and the respondent.

The application of both classic and modern management practices is the subject of the questions in the second section of the form. This section comprises two primary questions: the first concerns using old methods (such as Just-in-time, standard costing, cost plus pricing, etc.); the second concerns applying modern methods of cost management (such as activity-based costing, zero-based budgeting, target costing, etc.).

The final section focuses on the participants' perspectives on utilizing and not using these approaches.

The questions were prepared after consulting previous literature. The questionnaire was also improved by expert opinion.

Data collection- Data has been collected on the basis of convenience sampling. Category of hotels, Years of experience of the participants and according to their ratings.

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Analysis-

Categories of hotels from which data has been collected- 4

Particulars	Hotel 1	Hotel 2	Hotel 3	Hotel 4
Name	Moment	Piccadilly	Ekas	Lillivillas
Location	Lucknow	Lucknow	Lucknow	Lucknow
Number of rooms	33	58	54	42
Designation of the interviewee	General Manager	Chartered Accountant	General manager	Manager
Experience	17	16	10	14

Results:

Findings from the study reveal notable variations in the adoption of management accounting practices among Lucknow's hotel sector. While budgeting emerged as a conventional method widely used by respondent hotels, other traditional practices such as standard costing and break-even analysis were less prevalent. Modern techniques like activity-based costing and benchmarking also showcased significant usage, with chain hotels demonstrating a higher propensity for employing benchmarking. The interrelatedness of these techniques underscores the complexity of management accounting in the hospitality industry.

a) Do you use management accounting in hotels?

All 4 hotels responded **yes**.

b) Which management accounting practices are used in your hotel?

All 4 hotels responded with **just-in-time, standard costing, ratio indicators, and benchmarking** methods, but hotels 2 and 4 also added **activity-based costing** methods.

c) What is the primary focus of management accounting in your hotel?

Ans: All 4 hotels responded for **calculation of daily revenue, decision-making, and strategy formulation**.

d) How do you use technology to automate and streamline the accounting process in your hotel?

Hotel 2, 3, and 4 responded with **cloud-based accounting and spreadsheet-based accounting**, but Hotel 1 prefers to use **manual ledger entries**.

e) Do you think sustainability metrics are important?

All hotels responded **yes**.

f) Do you use just-in-Time inventory management?

All 4 hotels responded, **yes**.

g) Do you think management accounting practices in Lucknow hotels differ from those in other regions?

Ans: Hotel 1 responded **No**, and hotels 2, 3, and 4 responded, **Yes**, and the reason they gave was that **some use different modern accounting practices, and in Lucknow, they emphasize**

h) What technology tools or software do you use for management accounting?

Hotel 1, 2, and 3 responded, **Cloud computing and big data analysis**. Hotel 4 responded with a value **chain analysis**.

i) In your opinion, how have recent management accounting practices impacted the overall operational efficiency of your hotel?

All hotels responded, **improved cost control, and helped in resource allocation.**

j) Have these practices led to any reduction in waste or unnecessary expenditures?

Ans: All hotels responded, **yes.**

k) Are there any specific challenges or opportunities related to management accounting practices that you have noticed in hotels in Lucknow?

All hotels responded. **It's expensive, it's not mandatory as per the law, and I also don't have that much knowledge.**

Discussion:

The findings of this study underscore the importance of management accounting practices in the hotel sector and highlight the diverse approaches adopted by hotel enterprises in Lucknow. The widespread use of budgeting reflects its utility in financial planning and control, aligning with previous research emphasizing its significance in organizational decision-making. However, the limited adoption of certain traditional practices suggests a potential gap in leveraging cost management tools effectively. Moreover, the prominence of modern techniques like activity-based costing and benchmarking indicates a shift towards more sophisticated management accounting methodologies, driven by the need for enhanced performance measurement and strategic decision support.

The observed variations in MAP adoption among hotels, particularly between independent and chain establishments, raise interesting implications for industry stakeholders. Chain hotels, equipped with greater resources and access to expertise, appear to be more inclined towards employing advanced management accounting practices such as benchmarking, reflecting their emphasis on performance optimization and competitive positioning. In contrast, independent hotels may face challenges in implementing complex techniques due to resource constraints and a lack of specialized knowledge.

Conclusion:

In conclusion, this study sheds light on the management accounting practices prevalent in Lucknow's hotel sector, highlighting both traditional and modern approaches. Budgeting remains a cornerstone practice, intertwined with performance evaluation and strategic analysis. However, there is room for further exploration and standardization of ratios and indicators to enhance comparability. The findings contribute to a deeper understanding of MAP utilization in the hospitality industry, offering valuable insights for organizational decision-making and strategic planning.

Future Directions:

Future research endeavors in this area could explore the drivers and barriers influencing the adoption of specific management accounting practices among hotel enterprises, considering factors such as organizational size, ownership structure, and industry dynamics. Additionally, longitudinal studies tracking the evolution of MAP usage over time could provide valuable insights into trends and patterns within the hotel sector, informing practitioners and policymakers about emerging best practices and areas for improvement. Furthermore, comparative analyses across different geographical regions and market segments could offer nuanced insights into the contextual factors shaping MAP utilization, facilitating more targeted interventions and strategies for enhancing organizational performance in the hospitality industry.

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