



Budgeting practices in the Turkish hospitality industry: An exploratory survey in the Antalya region

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ABSTRACT

The present study aims to explore budgeting practices of Turkish hotels in the Antalya region which is the most prominent tourism center of the country. The results indicate that having a budget committee and budget manual are common for Turkish hotels. Secondly, participative budgeting is advocated within the industry. Furthermore, budget period seems dynamic, because hotels state that they revise budgets and make periodic reporting within the budget period. Profitability and cost control are the primary reasons in budget preparation. Finally, budgets are viewed as one of the primary performance indicators.

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1. Introduction

Empirical studies demonstrate that budgeting appears to continue to be one of the most important and widely used planning and control tools for organizations (Abdel-Kader and Luther, 2006; Uyar, 2009). However, there is an ongoing debate about usefulness of traditional budgeting. While proponents state that it is well in place and, therefore, should be continued to be utilized, opponents claim that it should be eliminated altogether, or transformed to new budgeting approaches such as better budgeting and beyond budgeting approaches (Neely et al., 2003; De Waal, 2005; Player, 2003; Hope and Fraser, 2000; McVay and Cooke, 2006; Rickards, 2006; Bishop, 2004; Libby and Lindsay, 2007; Uyar, 2009). Although, these approaches have different solutions, they share many of the concerns of traditional budgeting (Jones, 2008b). Despite this recent debate over budgeting, evidence suggests that 'traditional budgeting' is still very much alive in industry, and it will continue to be important in the future with organizations reporting a commitment to continue the annual budgeting process (Jones, 2008b). The important point is that there is a need to make the budgeting process more effective to derive most the desired benefits.

Horngren et al. (2006, p. 181) defines budget as the quantitative expression of a proposed plan of action by management for a specified period and an aid to coordinating what needs to be done to implement that plan. Blumentritt (2006, p. 73) posits budgeting as "the process of allocating an organization's financial resources to its units, activities and investments".

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GDP. Turkey is ranked 8th and 9th in the world, respectively, in terms of international tourist arrivals and tourism revenues; tourist arrivals and tourism revenues constitute respectively, 2.7% and 2.3% of the world totals. Turkey accommodates 3338 establishments carrying a tourism investment and operation license with a bed capacity of 825,557. Antalya region, in which the study was conducted, is the most prominent tourism destination being visited by 8,564,595 tourists constituting 32.5% of the total number of tourists who visited Turkey. Antalya region has 812 establishments with 346,517 bed capacity. These numbers are indicative of Antalya region's importance in the country's hospitality industry, hence deserving investigation.

Another motivation is the lack of budget-related research studies in the hospitality industry in developing countries. Most of the previous budget-related research studies in the hospitality industry have been conducted in developed countries such as UK (Jones, 1998, 2008a) and US (Schmidgall and DeFranco, 1998; Schmidgall and Ninemeier, 1986, 1987; Steed and Gu, 2009). Hence, the need for similar studies in developing countries has activated the basic motivation for this study.

The remainder of this study is organized as follows. In Section 2, previous studies are reviewed. Section 3 explains the scope and methodology of the study. In Section 4, research findings are provided. Finally, concluding remarks and discussion will be presented.

2. Literature review

Although most of the management accounting practices studies have been conducted in developed countries, there are studies investigating implementation of those practices in developing countries as well. Wu et al. (2007) investigated the implementation of 40 management accounting practices in China, and they found that ownership type affects the kind of management accounting practices adopted. Moreover, budgeting practices (i.e. budgeting for cost control, profit budgeting, sales budgeting and production budgeting) are perceived to be highly beneficial to the organizations. Szychta (2002) conducted a survey on 60 Polish enterprises, and she found that short-term budgeting, in the form of master budgets and budgets for individual responsibility centers, is the most widely used method of accounting. However, she concluded that the implementation of management accounting tools in Polish enterprises is far from satisfactory. In their literature review, Sulaiman et al. (2004) examined the extent to which traditional and contemporary management accounting tools are being used in four Asian countries: Singapore, Malaysia, China and India. Overall, the evidence suggests that the use of contemporary management accounting tools is lacking in those countries. The use of traditional management accounting techniques, including budgeting, remains strong. Haldma and Laats (2002) carried out a mail questionnaire survey among 62 largest Estonian manufacturing companies. They found that most of the smaller companies prefer to prepare and use budgets for the company as a whole (92%); only 47% of these companies prepared budgets for internal business units. Larger companies use more sophisticated budgets, and they all compose budgets for internal business units.

Survey studies provide sufficient evidence that budgets are one of the most commonly used accounting tools for planning and controlling functions of organizations in both developed and developing countries (Ahmad et al., 2003; Joshi et al., 2003; Joshi and Com, 1997; Wijewardena and Zoysa, 1999; Szychta, 2002; Ghosh and Chan, 1997; Dugdale and Lyne, 2006). Australian and Japanese companies perceive budgets respectively, as the most important and the second most important management accounting tools (Wijewardena and Zoysa, 1999). Another survey conducted in Singapore demonstrated that the budget usage is 97% among

responding enterprises (Ghosh and Chan, 1997). The survey conducted by Ahmad et al. (2003) in Malaysia proved that companies use budgets, to a large extent, as part of their planning and control mechanisms. Joshi et al. (2003) found in their research on 146 listed and non-listed companies in Bahrain that the usage of operating budget is 100%. A survey of 12 banks revealed that the budget usage rate is 100% among banks (Joshi and Com, 1997).

In the hospitality industry, some empirical studies have been conducted about budgeting practices as well. However, most of these studies have been conducted in developed countries, such as UK, US (Jones, 1998, 2008a; Oak and Schmidgall, 2009; Schmidgall et al., 1996; Schmidgall and DeFranco, 1998; Steed and Gu, 2009).

Jones (1998, 2008a) conducted two surveys in the UK. Both surveys indicated that the key reasons organizations produce budgets are to aid control, evaluate performance, and aid planning. According to the first study (Jones, 1998), 54.6% of respondents use bottom-up approach in budgeting. However, the second study (Jones, 2008a) showed that neither of the top-down, bottom-up or combination approaches to budgeting was dominant in the UK. In both studies, budgets are viewed as the main performance indicator in hotel organizations. Another common finding is the little use of flexible budgeting in the industry. Meanwhile, the use of zero-based budgeting differs in both studies. In the first study, 52% of the sample stated that they use zero-based budgeting, whereas the second study indicated a smaller percentage. Pyhrr (1976) developed zero-base budgeting while he was at Texas Instruments, and then it gained popularity in the 1970s and 1980s. Pyhrr states that "with it, managers can reassess their operations from the ground up and justify every dollar spent in terms of current corporate goals" (Pyhrr, 1976, p. 5). Both surveys showed that firms prepare one-year budgets, and reforecast during the budgetary period, the majority on a monthly, or quarterly basis.

There are some US-based survey studies in the field as well. According to the findings of the work of Schmidgall and DeFranco (1998), all surveyed hotels use an operations budget. Majority of the respondents declared that operations budget is used for budgetary control. Budgets are primarily used as standards for comparison to actual performance figures and as a planning tool. At the majority of hotels, interdepartmental effort is generally used to prepare budgets. A recent survey by Oak and Schmidgall (2009) about budgeting practices in clubs indicated that over 90% of the respondents used participative budgeting at their club. Major reasons for having an operations budget at clubs appear to be their function as a standard (60%) and planning tool (32%). Managerial compensation was linked to budgetary control at many clubs. The operating budget is used for control purposes at 96% of the clubs. Use of the operating budget to monitor all operations of a club is reported by 90% of the clubs. Clubs' actual results are compared to several standards. 80% of club executives reported that the original budget numbers are used for comparison purposes. In addition, 71% of the respondents compared the actual results for the current accounting period with the prior accounting period's actual numbers. Steed and Gu (2009) found similar results in previous studies. A very strong practice among all hotel management companies was that senior company officers established budget guidelines. Senior company officers typically include executives responsible for sales and marketing, accounting/finance, human resources, rooms and food and beverage operations, energy and property operations. Bonus is linked to budget achievement. Budget is used as a standard for actual performance, and it is linked to the strategic plan. Combination of top-down and bottom-up approach (78.6%) is adopted by hotels, and regional economy influences budget guidelines the most (64.3%).

Pavlatos and Paggios (2009) surveyed Greek hotels about the utilization of 30 management accounting practices including budgeting practices. In this study, budgeting practices were found to

be widely adopted. Moreover, the majority of the Greek hotels use budgets for planning annual operations (98.8%), controlling cost (91.8%), coordinating activities of the various parts of the organization (80%), and evaluating the performance of managers (64.7%). A rather significant proportion uses zero budgets (49.4%). Strategic plans developed with budgets were moderately adopted (22.4%) while results on activity-based (14.1%) and flexible budgeting (15.3%) revealed low adoption rates. Regarding reported benefits of 30 management accounting practices in the survey, budgeting for planning annual operations was ranked first, controlling cost was ranked third followed by coordinating activities (ranked 5th), and evaluating the performance of managers (ranked 9th). Relatively moderate benefits were reported to be derived from strategic plans (ranked 22nd) and low benefits for activity-based budgeting (ranked 29th) and flexible budgeting (ranked 30th). These findings suggest that contemporary budgeting tools, traditional budgeting practices seem to provide higher benefits.

One of the criticisms against traditional budgeting is the amount of time consumed by the process. Some estimates suggest that traditional planning and budgeting processes use up to 20% of all management time (Neely et al., 2003). Libby and Lindsay (2003) support this view as well, stating that budgets take around four to five months to complete, and occupy up to 20–30% of senior executives' and financial managers' time. According to a survey of CFOs and finance executives conducted by Centage Corp. and the Institute of Management & Administration (IOMA), most companies devote four to eight weeks for the annual budgeting cycle (Williams, 2008).

Another important point in the budgeting process is its behavioral aspect. One of the concerns about budgets is that they are usually affected by gaming and corporate politics (Neely et al., 2003). In the budgeting process, if the targets given to the subordinates by superiors are too difficult to meet, this may lead to some budgetary gaming actions, such as lower estimates for sales to make the budget target easier to attain, and spending the entire budget at the end of the budgetary period so as not to lose your "entitlement" when the next budget is set and so on (Libby and Lindsay, 2003). To prevent such gaming actions, the targets should be rational, and set by communicating with subordinates. In other words, participation in the budgetary process is key to avoiding gaming actions. Other benefits of participation are preventing information asymmetry between top managers and lower-level managers, providing motivation to department and committee heads, enhancing employees' work attitudes, and resulting in a greater level of goal commitment by lower-level managers (Joshi and Com, 1997; Oak and Schmidgall, 2009; Yuen, 2007). In the literature, participative budget is called "bottom-up" approach; authoritative budget is called "top-down" approach (Jones, 1998, 2008a,b).

A survey conducted to find out the answer to the question "are the budgetary practices in successful firms different from those in unsuccessful firms?" proved that successful firms do indeed adopt certain practices that make their budgets effective. Those practices are generating commitment to budgets, building linkages to connect the firm's long, medium, and short-term plans, adopting detailed and comprehensive procedures to prepare budgets, analyzing budget variances and taking corrective action (Umapathy, 1987).

As pointed out above, previous studies have been conducted largely in developed countries such as UK and US. In addition, there are not many published studies about financial management or management accounting practices about the hospitality industry in Turkey, especially in international publications. Hence, there is a need for empirical studies conducted in developing countries in relation to management accounting practices in the hospitality industry. This paper attempts to fill in this gap.

3. Methodology

The objective of this study is to explore budgetary practices in Turkish hotels. The target hotel types were 3-star, 4-star, and 5-star hotels to permit comparative analysis. For this purpose, an extensive survey was conducted in the Antalya region which is one of the most prominent sites that attract millions of tourists and has many world class hotels. The population of the research comprises 639 hotels in the Antalya region (i.e. 3-star, 4-star, 5-star and apart hotels). The list of the hotels was obtained from The Culture and Tourism Administration of Antalya. From the population, 300 hotels were chosen by random sampling. The content of the questionnaire survey was based on several previous studies (Jones, 1998, 2008a; Joshi et al., 2003; Joshi and Com, 1997). Three different techniques were employed in survey delivery process: (1) drop and collect, (2) e-mail, and (3) fax (Karadag and Dumanoglu, 2009). Such a mixed data collection method (i.e. mail and e-mail) was chosen by Steed and Gu (2009) as well. The reason for mixed data collection method is that although the questionnaire was dropped to hotels, some requested it through e-mail or fax. In addition, some hotel managers were reached by telephone after sending e-mail or fax to make sure that the questionnaire was filled.

The questionnaire survey included a cover page which explains the aim of the survey and assures confidentiality. No individuals or organizations taking part in the survey can be individually identified from the survey results published (Jones, 2008a). On the cover page, hotel managers, accounting managers, financial managers or other managers that are likely to be knowledgeable and engaged in the budgetary process were asked to respond to the questionnaire. The responding hospitality organizations are from various sizes, with various types and management status so that they represent population. These are expected to increase reliability and validity of the answers given to the survey.

The respondents were required to complete the questionnaire considering the applications of the firm where they were employed. The total number of questionnaires sent or left to hotels was 300. Out of the 300 managers, 79 filled and returned questionnaire. Hence the response rate of the survey is 26.33%. For comparison, the response rates of some other studies are 18.8% (Abdel-Kader and Luther, 2006), 26.1% (Joshi, 2001), 20.8% (Oak and Schmidgall, 2009), 38% (Jones, 2008a), 35% (Steed and Gu, 2009). Therefore, the response rate of the study is said to be neither low nor high compared to some other, so the rate is acceptable. The highest rate of the respondents belongs to accounting managers (28 respondents). Among other respondents are finance managers, general managers, assistant to general managers, operations managers, food and beverage managers, personnel managers, cost control managers, front office managers, and human resource managers. Thus, all respondents were in a position to be very knowledgeable about budgeting practices at their hotels. This is important for reliability of the responses. The company characteristics of surveyed hotels are given in Table 1.

4. Research findings

The survey investigates three aspects of budgeting in the hospitality industry in Turkey; planning, execution, and evaluation. The answers given to the questions in relation to these three aspects of budgeting are examined in the following subsections.

4.1. Budgetary planning

A list of questions were asked in the survey to evaluate planning stages of the budgeting process, such as the existence of budget manual, budget committee, and the length of the time budget

Table 1
Descriptive statistics of the surveyed hotels.

	N	Percentage
<i>Categories</i>		
5 stars	49	62
4 stars	20	25
3 stars	6	8
Apart	2	3
Not specified	2	3
Total	79	100
<i>Type of hospitality organization</i>		
Hotel	45	57
Resort hotel	22	28
Holiday village	4	5
Not specified	8	10
Total	79	100
<i>Company management status</i>		
Private company	50	63
Member of chain	26	33
Not specified	3	4
Total	79	100
<i>Number of rooms (Mean)</i>	385	
Less than 100 rooms	9 hotels	11.4
Between 100 and 300 rooms	26 hotels	32.9
More than 300 rooms	41 hotels	51.9
Not specified	3 hotels	3.8
Total	79	100.0
<i>Number of beds (Mean)</i>	868	
<i>Number of employees (Mean)</i>	236	
<i>Occupancy rate (Mean)</i>	85.8%	
<i>Firm age (Mean)</i>	8.42 year	

preparation takes. The answers given to the questions are analyzed question by question in the following paragraphs.

4.1.1. Budget manual

The respondents were asked whether their companies prepare budget manuals which include budgetary guidelines, before budgets are formulated. The results indicated that 50 out of 79 responding managers prepare budget manuals. The Chi-square test proved that a significant proportion of hotels (Chi-square = 5.58; $p < 0.05$) use budget manuals.

4.1.2. Budget committee

A top-level committee, which is generally called budget committee, can be constituted to guide budget planning, implementation and evaluation, taking the needs and resources of the organization into consideration. The results showed that majority of the companies (69 out of 79) have budget committees. The Chi-square test proved that a significant (Chi-square = 44.06; $p < 0.001$) number of hotels have budget committees.

In order to investigate the constituents of the budget committee, the question “who are the constituents of the budget committee?” was asked. The responses are indicated in Table 2. The total of responses exceeds the sample, since respondents were allowed to give multiple answers. What the results showed is that hotel managers and controllers are included in almost every budget committee. On the average, the hotels have 3.09 people in the budget committees.

Table 2
Type of managers in the budget committee.

Position	Frequency
General Manager/Hotel Manager	65
Financial Manager/Treasurer	39
Budget Director/Manager	18
Accounting Manager/Controller	61
Marketing Manager	31
Personnel Manager	22
Other	8

Table 3
Type of budget process used.

	Frequency	Percentage
Top-down	18	24
Bottom-up	26	34
Combination	32	42
Total	76	100

4.1.3. How long does it take to prepare budget?

We directed a question to the respondents to learn the duration of budget preparation. 76 managers out of 79 responded to this question. Most answers are centered around one to two months (61 hotels). On the average, it takes 1.78 months to prepare the annual budget.

4.1.4. Participation in the budget process

In preparing the budget, adoption of top-down, bottom-up or combination approaches was questioned. The results of this question did not show a statistically significant difference among top-down, bottom-up, and combination approaches in a Chi-square test. The details of the answers given to this question are given in Table 3.

4.1.5. Time period budget covers

Although there is a general assumption that budgets are prepared for a 12-month period, we investigated whether this assumption holds for the Turkish hospitality industry. According to the survey findings, 59 out of 79 hotels prepare annual budgets. Moreover, the results of the Chi-square test statistically proved that a significant number of hotels use 12-month period for budgeting (Chi-square = 105.66; $p < 0.001$).

4.1.6. Revising budget

A budget may need revisions within the budget period due to changing economic or environmental conditions. Hospitality industry is especially very sensitive to changing local conditions and seasonal fluctuations. For example, a contagious illness, a terrorist attack, and climatic changes may influence the industry very rapidly. Therefore, we investigated whether organizations revise budgets within budget period. The results indicated that 38 hotels revise budgets quarterly and 23 others revise semiannually.

4.1.7. Periodic reporting within budgetary period

73 hotels out of 79 surveyed make periodic reporting during the budgetary period on a monthly basis. The Chi-square test result proved statistically significant at a level of 0.001. It can therefore be considered an industry norm to make periodic reporting on a monthly basis.

4.1.8. Preparing flexible budgets

Flexible budgets reflect changes arising from volume changes. 55 out of 79 surveyed hotels use flexible budgeting. The Chi-square test result of 13.13 proved statistically significant at 0.001 level.

4.1.9. Zero-based budget

Previous studies investigated the use of zero-base budgeting which requires starting from scratch rather than using the previous period's budget or actual result as the starting point for next year's budget. According to the findings, only 12 hotels use zero-based budgeting. The Chi-square test result of 37.39 proved statistically significant at 0.001 level; zero-based budgets are generally not used widely by these organizations.

4.1.10. Program used for budgeting

In previous studies, the software program used for budgeting has not been investigated at all. The results proved that in 62 hotels Microsoft Excel is used for budgeting purposes, 11 hotels use some other software programs, and 5 hotels use both Microsoft Excel and other software programs. The Chi-square test result proved statistically significant at 0.001 level. Microsoft Excel is generally used by the surveyed organizations.

4.1.11. Long-term strategic plan

Respondents were asked whether they prepare long-range strategic plans, and the length of time the plans cover. The results proved that 48 organizations prepare long-range plans. The distribution of time periods that long-range plans cover is as follows: 17 firms for 3 years, 21 firms for 5 years, and 10 firms for more than 5 years. The Chi-square test for both preparation of long-range plan and their time intervals did not prove statistically significant results.

4.1.12. Cross investigations

In order to gain more insight, some cross analyses were performed. First, the existence of significant difference between the firms which have budget committees and those which do not, in terms of some company characteristics (i.e. budget manual, firm age, number of employees, number of rooms, number of beds, occupancy rate, member of a chain, and category-star) was investigated. Since the data is not normally distributed according to the Kolmogorov–Smirnov statistic tests ($p < 0.05$), the Mann–Whitney *U*-test was conducted to compare the two groups (Table 4). The analysis demonstrates that there are significant differences between the firms which have a budget committee and those which do not in terms of the following variables:

Budget manual ($p < 0.01$).
 Number of rooms ($p < 0.05$).
 Number of beds ($p < 0.05$).
 Category (4- or 5-star) ($p < 0.05$).

Table 4
Cross analyses for budget committee existence.

	Budget committee	N	Mean rank	Asymp. Sig.
Budget manual	No	10	22.90	0.003
	Yes	69	42.48	
	Total	79		
Firm age	No	8	40.25	0.757
	Yes	67	37.73	
	Total	75		
Number of employees	No	10	31.15	0.192
	Yes	69	41.28	
	Total	79		
Number of rooms	No	9	24.67	0.045
	Yes	67	40.36	
	Total	76		
Number of beds	No	9	21.22	0.015
	Yes	65	39.75	
	Total	74		
Occupancy rate	No	8	34.06	0.470
	Yes	51	29.36	
	Total	59		
Member of a chain	No	9	29.72	0.122
	Yes	67	39.68	
	Total	76		
Category (4- or 5-star)	No	8	23.44	0.027
	Yes	61	36.52	
	Total	69		

The above statistics indicate that the firms which have a budget committee are significantly more likely to have a budget manual. Secondly, the firms which have a budget committee are larger in size in terms of both number of rooms and number of beds. Thirdly, 5-star hotels are significantly more likely to have a budget committee compared to 4-star hotels. However, no significant results could be found for the following variables: firm age, number of employees, occupancy rate, and membership in a chain.

Moreover, further analysis was conducted to investigate the existence of significant association between budget committee size and company characteristics (Table 5). For this purpose, Spearman's rho correlation analysis was conducted. The results showed significant positive associations (all significant at the 0.01 level) between committee size and variables, such as category (star), number of employees, number of rooms, number of beds. Hence, the higher the hotel's star rating, the larger the committee size is. The larger the hotel size, the larger the committee size is.

In addition, the association between periodic reporting frequency within budget period and company characteristics was investigated by using Spearman's rho correlation analysis. The results indicate that there is a significant positive association between periodic reporting frequency and the following variables at the level of 0.05: hotel star rating, number of employees, number of rooms, and number of beds. This means that the higher the star rating and the hotel size, the more frequently are periodic reporting made during the budgetary period.

4.2. Budget execution

This part of the questionnaire comprises four subsections and a total of 28 statements to be evaluated by respondents. For the evaluation measure, a five-point Likert scale was used ranging from "1" = Strongly Disagree to "5" = Strongly Agree.

4.2.1. The budget execution process

In the first subsection, which was adopted from Joshi et al. (2003), respondents were required to rate seven statements about budget execution process according to applications in their hotels. In Table 6, answers given to the seven statements are evaluated separately. The results reveal that majority of the respondents think that budgeting is done in high secrecy (mean = 3.78). The responses of this question were analyzed further in order to investigate the existence of significant difference among subgroups by using the Mann–Whitney *U*-test. The result indicates that chain hotels are significantly (at 0.1 level) less likely to agree with this statement. Hence, non-chain hotels seem to behave more secretly during the budget process.

Moreover, most of the respondents agree that an effective leadership and adequate information flow are provided during the budget process. Responses show that there is no problem in coordinating departments in the budget process as well. Fifth and sixth statements are about determination of targets. In the fifth statement, top-down approach is advocated in target determination (mean = 3.67), whereas bottom-up approach is advocated in the sixth statement (mean = 3.35). Since both approaches are supported at some level, we conducted subgroup analysis to investigate the supporters of each approach. The results show that chain hotels tend to advocate bottom-up approaches, whereas non-chain hotels tend to advocate top-down approach. Finally, majority of the respondents agree that targets are determined rationally.

4.2.2. Specific purposes served by budgets

This part of the questionnaire survey was adopted from Jones (2008a), and Jones (1998). The respondents were asked the objectives of budget preparation. In the question, nine alternatives were provided for the evaluation of respondents based on a five-point

Table 5

The results of Spearman's rho correlation analysis among some hotel variables.

Spearman's rho	Budget committee size	Category (star)	Firm age	Number of employees	Number of rooms	Number of beds	Occupancy rate	Member of a chain
<i>Budget committee size</i>								
Correlation Coefficient	1.000	0.315**	0.043	0.335**	0.344**	0.353**	0.039	0.049
Sig. (2-tailed)		0.006	0.715	0.003	0.002	0.002	0.767	0.672
N	79	75	75	79	76	74	59	76
<i>Category (star)</i>								
Correlation Coefficient	0.315**	1.000	−0.137	0.677**	0.720**	0.696**	−0.149	0.189
Sig. (2-tailed)	0.006	.	0.252	0.000	0.000	0.000	0.268	0.112
N	75	75	72	75	72	70	57	72
<i>Firm age</i>								
Correlation Coefficient	0.043	−0.137	1.000	−0.080	−0.108	−0.123	−0.008	0.119
Sig. (2-tailed)	0.715	0.252	.	0.493	0.364	0.309	0.951	0.315
N	75	72	75	75	73	71	59	73
<i>Number of employees</i>								
Correlation Coefficient	0.335**	0.677**	−0.080	1.000	0.894**	0.833**	−0.069	0.323**
Sig. (2-tailed)	0.003	0.000	0.493	.	0.000	0.000	0.603	0.004
N	79	75	75	79	76	74	59	76
<i>Number of rooms</i>								
Correlation Coefficient	0.344**	0.720**	−0.108	0.894**	1.000	0.906**	−0.143	0.293*
Sig. (2-tailed)	0.002	0.000	0.364	0.000	.	0.000	0.279	0.011
N	76	72	73	76	76	73	59	74
<i>Number of beds</i>								
Correlation Coefficient	0.353**	0.696**	−0.123	0.833**	0.906**	1.000	−0.205	0.290*
Sig. (2-tailed)	0.002	0.000	0.309	0.000	0.000	.	0.122	0.013
N	74	70	71	74	73	74	58	72
<i>Occupancy rate</i>								
Correlation Coefficient	0.039	−0.149	−0.008	−0.069	−0.143	−0.205	1.000	−0.139
Sig. (2-tailed)	0.767	0.268	0.951	0.603	0.279	0.122	.	0.293
N	59	57	59	59	59	58	59	59
<i>Member of a chain</i>								
Correlation Coefficient	0.049	0.189	0.119	0.323**	0.293*	0.290*	−0.139	1.000
Sig. (2-tailed)	0.672	0.112	0.315	0.004	0.011	0.013	0.293	.
N	76	72	73	76	74	72	59	76

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

Table 6

Issues relating to the budget execution process.

Evaluate the following in the budget execution process	Minimum	Maximum	Mean	S.D.
Budgeting is done in high secrecy	1	5	3.78	1.384
An effective leadership is provided in budget process	3	5	4.57	0.570
Good information flow is available for budgeting	2	5	4.54	0.638
Coordination among departments is achieved easily	2	5	4.22	0.767
Targets are determined in the departments first, and then submitted to the top management	1	5	3.67	1.286
Targets are determined by the top management first, and then departments' opinions are taken	1	5	3.35	1.375
Targets are determined rationally	2	5	4.29	0.819

Likert scale. The overall means are listed in descending order in Table 7. As the results demonstrate, the highest rated reason for budgeting is to control expenses (mean = 4.61), followed by profitability (mean = 4.52), and to aid long-term planning (mean = 4.47).

The only items whose average is below 4 are to motivate employees and to communicate plans to employees. For in-depth analysis, the independent samples *t*-test was conducted in terms of budget committee existence. The results indicate that there are significant

Table 7

Specific purposes served by budgets.

Specific purposes served by budgets	Overall			Hotels with committee			Hotels without committee			<i>t</i> -Value
	N	Mean	S.D.	N	Mean	S.D.	N	Mean	S.D.	
To control expenses	79	4.61	0.54	69	4.68	0.47	10	4.10	0.74	3.380***
For profitability	79	4.52	0.64	69	4.58	0.60	10	4.10	0.74	2.282**
To aid long-term planning	79	4.47	0.78	69	4.54	0.74	10	4.00	0.94	2.069**
To co-ordinate the operation	79	4.43	0.78	69	4.43	0.79	10	4.40	0.70	0.131
To aid short-term planning	79	4.34	0.78	69	4.41	0.77	10	3.90	0.74	1.944*
To evaluate performance	78	4.29	0.88	68	4.37	0.84	10	3.80	1.03	1.928*
To motivate managers	77	4.04	0.95	67	4.07	0.96	10	3.80	0.92	0.849
To motivate employees	79	3.81	1.05	69	3.83	1.03	10	3.70	1.25	0.353
To communicate plans with employees	79	3.61	1.14	69	3.68	1.10	10	3.10	1.29	1.523

* Significant at 0.1 level.

** Significant at 0.05 level.

*** Significant at 0.01 level.

Table 8
Information used in setting budgets.

Information used to assist in setting budgets	Overall			Hotels with manual			Hotels without manual			t-Value
	N	Mean	S.D.	N	Mean	S.D.	N	Mean	S.D.	
Previous years' actual results	79	4.57	0.59	50	4.50	0.65	29	4.69	0.47	−1.380
Industry statistics/indicators	78	4.45	0.82	50	4.58	0.61	28	4.21	1.07	1.932*
In-house market analysis	79	4.39	0.81	50	4.56	0.54	29	4.10	1.08	2.503**
National economic indicators	78	4.29	0.84	50	4.46	0.58	28	4.00	1.12	2.393**
Previous years' budgeted figures	79	4.25	0.98	50	4.28	0.86	29	4.21	1.18	0.318
Local economic indicators	79	4.19	0.95	50	4.26	0.80	29	4.07	1.16	0.862

* Significant at 0.1 level.

** Significant at 0.05 level.

differences for the following items between the hotels which have a budget committee and which do not; to control expenses (significant at 0.01 level), for profitability (significant at 0.05 level), to aid long-term planning (significant at 0.05 level), to aid short-term planning (significant at 0.1 level), and to evaluate performance (significant at 0.1 level). The means of all items for hotels that have a budget committee are significantly higher than those that do not. This means that hotels with a budget committee are more purpose oriented than those without one.

4.2.3. Information used in setting budgets

This part of the questionnaire survey was adopted from Jones (2008a). The mean averages above 4.00 show that all listed indicators are used in setting budgets (Table 8). However, the most widely used indicators are previous years' actual results (mean = 4.57), industry statistics/indicators (mean = 4.45), and in-house market analysis (mean = 4.39) in that order. For in-depth analysis, the independent samples *t*-test was conducted in terms of budget manual existence. Hotels with budget manuals have significant differences compared to those without manuals in the following three items; industry statistics/indicators (significant at 0.1 level), in-house market analysis (significant at 0.05 level), and national economic indicators (significant at 0.05 level).

4.2.4. Human aspects of budgeting

In this part of the questionnaire, which was also based on Jones (2008a), some behavioral aspects of budgeting were investigated. The respondents were asked to evaluate the given statements based on a five-point Likert scale from "strongly disagree" to "strongly agree" (Table 9). In the first statement, the respondents evaluated the statement "Individual manager's authority and responsibility must be clear for budgetary control to work effectively". A total of 76 respondents out of 78 either agreed or strongly agreed with this statement and no respondents disagreed or strongly disagreed with this statement.

Table 9
Human aspects of budgeting.

Human aspects of budgeting	Overall			No. of beds (> 250)			No. of beds (<250)			t-Value
	N	Mean	S.D.	N	Mean	S.D.	N	Mean	S.D.	
Individual Manager's authority and responsibility must be clear for budgetary control to work effectively	78	4.58	0.55	44	4.61	0.54	31	4.55	0.57	0.506
Participation is key to managers accepting their budgets and considering them attainable	74	4.45	0.69	42	4.43	0.70	29	4.48	0.69	−0.322
Budgetary 'gamesmanship', where managers try to understate revenues and overstate costs, is an issue for us	77	4.29	1.13	43	4.12	1.16	31	4.68	0.79	−2.474*
Manager's performance bonuses should be linked to achieving their budgetary targets	76	3.87	1.28	42	3.83	1.25	31	3.97	1.28	−0.450
Having budgets that are achievable, but difficult to attain motivates managers	77	4.40	0.82	43	4.30	0.96	31	4.55	0.57	−1.375
Participation in the budgetary process is key when budgets are used as a performance measure for managers	77	4.36	0.72	44	4.32	0.77	30	4.40	0.67	−0.483

* Significant at 0.05 level.

In the second statement, the role of participation of managers in accepting budgets and considering them attainable is asked. A total of 70 respondents out of 78 either agreed or strongly agreed with this statement. Hence, individual managers should be included in budget process by top management.

In the third statement, the respondents were asked whether they agree with the statement "Budgetary 'gamesmanship', where managers try to understate revenues and overstate costs, is an issue for us". While 8 respondents disagreed or strongly disagreed with this statement, 5 respondents were neutral, and 64 respondents agreed or strongly agreed with this statement. Hence, we can say that budgetary 'gamesmanship' is an issue for Turkish hotel enterprises. When the responses were further analyzed, we found significant differences (at 0.05 level) in terms of hotel size. Budgetary 'gamesmanship' seems to be significantly more serious problem for smaller hotels than larger hotels. In the analysis, "250 rooms" was used as a cut off point.

In order to increase the realization of budget targets, manager's performance bonuses can be linked to achievements of those targets. Although, this statement is the lowest rated statement among others, majority of the respondents agreed or strongly agreed with the statement (56 respondents); 16 respondents disagreed or strongly disagreed, and 4 respondents remained neutral. There is a possibility that tying the bonuses to budget targets may cause some undesired behaviors such as manipulation. Those who disagreed with the statement may have considered such disadvantages. Secondly, some external reasons which are beyond manager's control (i.e. national or industry-specific changes) may have a negative impact on firm performance.

Motivation is one of the reasons behind budgeting. Managers and employees feel obliged to realize budget numbers, and this motivates them. A total of 69 respondents out of 78 either agreed or strongly agreed and no respondents disagreed or strongly disagreed with the statement "Having budgets that are achievable, but difficult to attain motivates managers".

Table 10
Criteria used for performance evaluation.

Criteria used for performance evaluation	Frequency	Percentage
Previous years' results	57	72
Budgeted figures	42	53
Inter-hotel comparisons	10	13
The balanced scorecard	13	16
Competitor comparison	13	16
Industry statistics	42	53

If managers' performances are to be judged with their achievement of budgets, their participation in the planning stage of budget should be permitted. Otherwise, they would be held responsible for what is totally out of their control. Agreement of 70 respondents with the statement "Participation in the budgetary process is key when budgets are used as a performance measure for managers" supports this view.

4.3. Performance evaluation

A list of questions were asked in the survey to evaluate budget performance using benchmarking, variance analysis etc. The answers given to the questions are analyzed question by question in the following paragraphs. In this part, the first three questions were adopted from Jones (2008a), and the last two questions were adopted from Joshi et al. (2003).

4.3.1. Utilization of specific benchmarks for significant variances

The respondents were asked whether they use specific benchmarks to investigate significant variances between budgeted and actual performance. While 72 respondents declared that they use benchmarks, 3 stated that they do not use benchmarks, and 4 did not respond to the question. With a significant Chi-square test of 63.480 ($p < 0.001$) hotel organizations generally reported they use benchmarks for the investigation of significant variances between budgeted and actual performance. This result supports the finding of Jones (2008a) in the UK.

The respondents who answered "Yes" to this question were required to state the benchmarks they use in the next question. The most commonly used benchmark was monetary value (61 respondents), followed by percentage (55 respondents), and repeat of an adverse variance (21 respondents).

4.3.2. The role of budgets in monitoring actual performance

To the question "What role do budgets play in monitoring actual performance in your organization?", most of the respondents stated that budget is the main performance indicator (37 answers), followed by one of a few key indicators used in the organization (29 answers), and budgets are little used as a performance measure (8 answers). Hence, Turkish hotels generally use budgets as main indicator or one of main indicators of actual performance.

Table 12
Purposes of budget variance analysis.

Purposes of budget variance analysis	Overall			5-star hotels			Non-5-star hotels			t-Value
	N	Mean	S.D.	N	Mean	S.D.	N	Mean	S.D.	
To evaluate the manager's performance	76	4.09	0.98	47	4.23	0.94	26	3.81	1.06	1.776*
To evaluate forecasting ability of manager	76	4.26	0.84	47	4.38	0.80	25	3.96	0.89	2.062**
To control costs	77	4.56	0.64	47	4.60	0.50	26	4.46	0.86	0.848
For timely recognition of problem	76	4.55	0.60	47	4.55	0.62	25	4.52	0.59	0.221
To provide feedback for next period's budget	76	4.39	0.69	46	4.41	0.75	26	4.35	0.63	0.385

* Significant at 0.1 level.

** Significant at 0.05 level.

Table 11
Authority to evaluate budget variance reports.

Authority to evaluate budget variance reports	Frequency	Percentage
Department heads	22	28
Top management	32	41
Budget committee	26	33
Hotel manager	42	53
Other	9	11

4.3.3. Measures used for performance evaluation

The participants were also asked which performance measures they use (Table 10). They were allowed to give multiple responses to this question. The most commonly cited performance measure was previous year's results (72%), followed by budgeted figures and industry statistics (each is 53%). Although, inter-hotel comparisons, the balanced scorecard, competitor comparison are used in some hotels, their usage is substantially rarer.

4.3.4. Variance analysis usage

After actual results are obtained, variance analysis is conducted to measure the amount of deviation from budgeted figures. This is one of the ways organizations' performances are measured. A total of 74 respondents out of 79 stated that they conduct variance analysis. This is good news, because budgets are used for performance evaluation. In addition, this finding supports another finding of the study that the most important reason in preparing budgets is for control purposes. Controlling requires comparison of actual results with budgeted figures, determining variances, and taking corrective actions.

Furthermore, the authority to evaluate budget variance report was investigated (Table 11). The most commonly cited authority is the hotel manager (53%), followed by top management (32%), budget committee (26%), and department heads (22%) in that order. In addition, some respondents mentioned "other" option, citing F & B manager, the boss, treasurer, internal auditing, controller, sales manager, sales & marketing manager.

The frequency of variance analysis was asked to the respondents. Most of the respondents stated that they conduct variance analysis monthly (68%), followed by quarterly (19%), semiannually (5%), and annually (8%).

4.3.5. Purposes of budget variance analysis

Finally, purposes of variance analysis were asked to the respondents. The most commonly cited reason for variance analysis is "to control costs" (mean=4.56), followed by "for timely recognition of problem" (mean=4.55), "providing feedback for next period's budget" (mean=4.39), "evaluating manager's performance" (mean=4.39), and "evaluating forecasting ability of manager" (4.09) (Table 12). For further investigation, the independent samples t-test was conducted. The results showed that there is a significant difference between 5-star hotels and others in terms of the following two items; evaluating manager's performance and

evaluating forecasting ability of manager. This means that 5-star hotels are more inclined to consider and evaluate managers' performance and forecasting ability than non-5-star hotels.

5. Conclusions and discussion

Hospitality industry is one of the most important service industries in Turkey. Every year, millions of tourists come and visit Turkey especially in the western and southern region. The present study aimed at exploring budgeting practices of Turkish hotels in the Antalya region which is the most prominent tourism center of the country with numerous world-famous hotels.

The results of the present study indicate that having a budget committee and budget manual are common for Turkish hotels. This finding contradicts Jones (2008a) who concluded that budget committees and budget manuals are not commonly used in the hotel industry; however, it parallels Joshi et al. (2003) who found that 79.6% of the surveyed companies have a budget committee. Steed and Gu (2009) also found that a very strong practice among all hotel management companies was that senior company officers established budget guidelines. Those who do not have a budget manual and committee are recommended to have one, because these are fundamental to planning and executing the budgeting process effectively.

On the average, it takes 1.78 months to prepare the annual budget. This result is lower than the result of Jones (2008a) who found that surveyed UK hotels start budget preparation three months in advance of the budget period. This difference could be attributable to some factors such as hotel size, complexity of operations, uncertainties, coordination and communication among departments, and so on. Furthermore, Jones (2008a) states that budget preparation time period seems to be shortening based on evidences from prior UK and US studies.

Although the statistical analysis showed no significant difference among top-down, bottom-up, and combination approaches, only 24% of respondents state that their hotels advocate top-down approach in budget planning. The remainder advocates bottom-up or a combination of both approaches. Hence, we can conclude that Turkish hotels value participative approach in budget planning. This finding is in line with Jones (2008a) who also could not find significant difference among different approaches. However, previous studies have shown that there is a tendency, either weak or strong, toward participative budgeting in the hospitality industry (Jones, 1998, 2008a; Oak and Schmidgall, 2009; Steed and Gu, 2009; Schmidgall and DeFranco, 1998).

The statistical analysis indicated that the hotels use a 12-month period for budgeting. Some previous studies indicated the use of 12-month period for budgeting in the industry as well (Jones, 1998, 2008a; Schmidgall and DeFranco, 1998). Hence this can be considered an industry norm as previously stated by Jones (2008a).

Furthermore, the budget period seems dynamic, because hotels state that they revise budgets and make periodic reporting within the budget period. In addition, most of the hotels prepare flexible budgets which are sensitive to changing volume. However, they do not use zero-based budgeting at all. Compared to some earlier studies (Jones, 1998, 2008a; Pavlatos and Paggios, 2009), flexible budget usage is high, whereas zero-based budgeting usage is low in Turkish hotels. Steed and Gu (2009) states that unusual expense increases and the expense for any new company initiatives could be zero-based. The reason behind high usage rate of flexible budgeting can be the changing business environment (Oak and Schmidgall, 2009). In addition, Jones (2008a,b) stated that flexible budgeting is a norm in the hospitality industry.

Moreover, during the budget execution process, there seems to be no problem in providing leadership, communication, and coordination

among departments. Profitability and controlling costs are the primary reasons in budget preparation. From these findings, we can say that hotel managers pursue primarily financial goals from budgeting rather than planning, coordination, communication, performance evaluation, or motivation. Oak and Schmidgall (2009) and Schmidgall and DeFranco (1998) also found that the club industry's and hospitality industry's most important reason for preparing the operating budget is for control purposes. "Previous year's actual results", "in-house market analysis" and "industry statistics" are the most prominent considerations in setting budgets. This result coincides with Jones (2008a) who found that surveyed UK hotels use "previous years actual results", "in-house market analysis", "industry statistics/indicators" and "local economic indicators" to assist with setting budgets in the hospitality industry. In addition, cross investigations proved that when setting budgets, hotels with budget manuals are considering more indicators, and are more sensitive against economic and industry indicators.

64 respondents out of 79 agreed or strongly agreed that budgetary gamesmanship is an issue, particularly for smaller hotels. Jones (2008a) found statistically no significant result although some of the surveyed hotels stated that budgetary gamesmanship is an issue for them. Budgetary gamesmanship may be caused by rewards and sanctions, unrealistic targets, work environment, attitude of top management against lower-level managers and so on.

Finally, budgets are viewed as one of the primary performance indicators. Most of the hotels investigate variances between budgeted and actual results, and when investigating variances, both monetary amount and percentages are frequently used. This is good news for Turkish hotels, because budgets serve the purpose of evaluating performance and providing feedback. Previous year's actual results along with budgeted figures and industry statistics are the most widely used performance measures among hotels. Hotel manager is the primary investigator of variances along with some other managers. Timely control of costs and recognition of problems are the basic purposes of variance analysis. Previous studies showed that either original budget numbers or previous year's actual results or both are used for performance evaluation (Jones, 1998, 2008a; Oak and Schmidgall, 2009; Steed and Gu, 2009; Schmidgall and DeFranco, 1998).

Although most of the findings are in line with the previous studies conducted in developed countries, some contradict them. For example, budgetary gamesmanship seems more widespread than other countries (Jones, 2008a; Steed and Gu, 2009). There may be various explanations for this. Top-down approach in budget setting may be causing this undesirable situation. Over-emphasis on reward and punishment may be another reason. However, what is certain according to another finding of this study is that smaller hotels are more likely to practice budgetary gamesmanship. The managers should try to find ways to prevent budgeting games among employees. Another finding contradicting other studies is the length of time budget preparation requires. Turkish hotels spend less time than the hotels in other countries in general. The length of time budgeting takes may depend on various factors, such as complexity of operations, number of departments, skills of employees, available software for budgeting, and being a chain member. Hence, shorter budgeting time may be attributable to these reasons. Although majority of surveyed hotels have a budget committee a budget manual, some do not. The absence of budget committee or budget manual may cause disorganization in budgeting process or decrease the effectiveness of the process. Therefore, budgeting process needs to be carried out in a more organized way in the hotels. High rate of flexible budget usage compared to previous studies may be attributable to external factors such as fluctuating economic conditions or internal ones such as political. Among the budgeting objectives, financial considerations play primary role in Turkish hotels. However, non-financial objectives

should be considered as well, such as evaluating performance of managers and employees, coordination and communication among employees and departments. Since improvement of these non-financial factors will most probably enhance financial outcomes eventually. Otherwise, the benefits of budgeting to the organizations will remain minimal. Overall, the findings imply that Turkish hotels implement budgeting practices parallel to the implementations of hotels in developed countries in many aspects. However, they need to improve budgeting process in some aspects as pointed out above.

Overall, the present study provides extensive research results about budgeting in the Turkish hospitality industry. Actually, before conducting this survey, one of our purposes was to investigate whether there are significant differences among hotels which have different ratings (i.e. 3-star, 4-star, 5-star). Since, not many questionnaires were returned from 3-star hotels, we had to use 4 and 5 star hotels in our comparative analysis. Therefore, we were unable to explore the applications in 3-star hotels. This prevents generalizing the findings to all hotel enterprises in Turkey. Another limitation of the study is that the findings are based on the survey which was conducted in the Antalya region. Hence, the results may not reflect the views of all hotels across Turkey.

Despite these limitations, this study has important implications for research in hospitality financial management. Previous studies have been conducted largely in developed countries such as UK and US. The literature review indicated that there is a need for empirical studies conducted in developing countries in relation to management accounting practices in the hospitality industry. This paper attempts to fill in this gap. In addition, Turkey is one of the countries for which hospitality industry is among important industries. However, there are not many published studies about financial management or management accounting practices about the hospitality industry of the country, especially in international publications. Moreover, we can say that the study is the first comprehensive study about budgeting practices in the hospitality industry. Finally, the paper presents the results of some cross analyses which enable readers examine the effect of some firm characteristics (i.e. budget manual, firm age, number of employees, number of rooms, number of beds, occupancy rate, chain membership, category-star) on certain budgeting practices. These cross analyses indicated the positive significant association between budget committee existence and the variables: budget manual existence, star rating, number of rooms, and number of beds. In addition, a significant positive association was found between periodic reporting frequency within budget period and the following variables: star rating, number of employees, number of rooms, and number of beds. These attributes make the paper original and valuable.

There are a number of areas for future research. In addition to this regional study, a countrywide study in Turkey can be conducted to generalize results and overcome one of the limitations of this study. Moreover, lower star-rated hotels' budgeting practices may be investigated too. In order to gain more insight into the budgeting practices of hospitality industry and to find out the root causes of preferences or actions, field studies can be conducted. Although almost all hotels surveyed prepare budgets, Turkish hotels' satisfaction with the traditional budgeting can be questioned. Furthermore, whether hotel managers are knowledgeable about new budgeting approaches, such as better budgeting or beyond budgeting, can be investigated. Behavioral aspect of budgeting is another matter to be examined. For example, do hotels impose sanctions on subordinates if they cannot meet budget targets or reward them in case the opposite? Whether rewarding or sanctioning employees based on performance causes them to play budgetary games can be also a subject of future research. Finally, a comprehensive management accounting practices survey, similar to Pavlatos and Paggios (2009),

can be conducted to investigate relative importance of budgeting compared to other practices.

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