

MANAGEMENT ACCOUNTING AND TOURISM ORGANIZATIONS: THE CASE OF THE KOZANI TOURIST COMPANIES

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Abstract

The tourist sites of Kozani are the major tourist attractions in western Macedonia, attracting over half a million visitors per year. They are unique in that they are culture sites and must be preserved as national monuments but at the same time they function as modern business enterprises. This paper explores the role of management accounting in the tourist sites in Kozani. The paper is motivated by the lack of management accounting research in the tourism sector in general. The analysis is based on a case study of four of the public tourist companies that are currently in operation in Kozani region. Data were collected from semi-structured interviews, informal discussions and document analysis. Drawing on ideas from New Institutional Sociology (NIS) we argue that the operations and decision making, including the role of management accounting information in the public tourist companies are shaped by the need for the companies to legitimize themselves as national monuments and at the same time innovate to remain competitive in a changing tourism environment. The ownership of the majority of the companies by the Municipal Councils also made the operations and decision making of these companies subject to local politics.

Περίληψη

Τα τουριστικά αξιοθέατα της Κοζάνης είναι τα κυριότερα τουριστικά σημεία προσέλκυσης τουριστών στην Δυτική Μακεδονία. Είναι μοναδικά ως σημεία πολιτιστικού ενδιαφέροντος και προστατεύονται ως εθνικά ήθη και έθιμα αλλά από την άλλη πλευρά οι εταιρίες πρέπει να συμπεριφέρονται ως μοντέρνες επιχειρήσεις. Το άρθρο αυτό ανακαλύπτει τον ρόλο της διοικητικής λογιστικής στις τουριστικές εταιρείες στην Κοζάνη. Το άρθρο αυτό έρχεται να καλύψει το κενό για έρευνα στον τομέα της διοικητικής λογιστικής στον τουριστικό τομέα. Η ανάλυση βασίζεται στην μέθοδο της περιπτώσιακής μελέτης σε τέσσερις τουριστικές δημόσιες εταιρείες που λειτουργούν στην Κοζάνη. Τα δεδομένα συλλέχθηκαν από συνεντεύξεις, συζητήσεις και αρχειακή έρευνα. Βασισμένη στην νέα θεσμική κοινωνιολογική θεωρία συζητούμε ότι η λήψη αποφάσεων περιλαμβάνοντας και τον ρόλο της διοικητικής λογιστικής σχεδιάζοντας από την ανάγκη των δημοτικών επιχειρήσεων να παραμείνουν στα πλαίσια της δημοτικού κώδικα αλλά την ίδια στιγμή να παρουσιάσουν ανταγωνιστικές μεθόδους σε ένα ευμετάβλητο περιβάλλον. Η ιδιοκτησία των επιχειρήσεων αυτών ανήκουν στους δήμους και οι αποφάσεις λαμβάνονται όχι μόνο από τα δημοτικά συμβούλια αλλά επηρεάζονται και από την τοπική κοινωνία.

Keywords: Management Accounting; Tourism; New Institutional Theory

1.Introduction

One of the tourism areas not much research has been focused on is the decision-making process in the Tourism companies. Thus the operations and the management process of the Tourism companies are minimally understood due to a lack of empirical research. For instance, the ownership of the tourism companies varies. Ten out of the twelve tourism companies of Kozani are owned by the local municipal councils, one by the Prefecture, and one by the local chamber of commerce. The management of the municipal and prefecture controlled tourism companies is very politicized as a change in local government usually results in changes in their decision making. The municipally controlled companies are, for example, controlled by the respective mayors, who are elected in local elections. A change in mayor normally results in changes in policies and this often has significant implications for the management and operations of the companies. Different municipal governments have different emphases for the companies in their budget allocations.

The ways in which managers in the tourism companies use accounting information in performing their day-to-day decision making is an empirical question which this thesis seeks to address. As mentioned above, some researchers have argued that accounting information is minimally used in decision making in Greek organizations as their managers often tend to prefer information from informal sources (Ballas, 1994).

2. Literature Review

Very little is yet known about management accounting and its use in tourism enterprises. Researchers in management accounting have traditionally been, above all, interested in the accounting systems of large manufacturing companies. In addition to that, most accounting researchers interested in service production have conducted their research in non-profit seeking, public-sector organizations (Olsen et al., 1998).

There are researchers, for example, Templeman and Wootton (1987), who argue that the relationship between small company owner-managers and their accountants is primarily an economic one. The current demand for accountants' reporting services is driven by regulatory requirements and, as many owner-managers possess limited financial skills, they do not understand or use the information produced.

One of the objectives of this article is to understand the decision-making practised in tourism enterprises in their real-life contexts. The more specific research topic is the pricing of tourism products, as pricing is one of the most central management tasks in which cost information may be of use. However, decision making is not presumed to be necessarily rational (cf. Simon, 1976; Weick, 1995). The theoretical framework applied is in accordance with the non-rational decision-making school in organisation studies, suggesting that organisational goals may be unclear or changing (Cohen et al., 1972); the search for alternative ways of action may be limited and local (Cyert & March, 1963); the process of analysis and choice may be politically motivated (Pfeffer, 1981), incremental in nature (Lindblom, 1959) and routinized by the application of procedures (Cyert & March, 1963) or more incidental than considered (March & Olsen, 1976).

3.Theoretical framework

Scott (1987) argues that since the early period, institutional theory and research have developed rapidly and currently occupy a prominent place in the field of organizational analysis. Zucker (1977) and Powell and DiMaggio (1991) have written several papers in this field. Meyer and Rowan (1977) argue that one of the central problems in organizational theory is to describe the conditions that give rise to a rationalized formal structure. They argue also that as markets expand, the relational networks in a given domain become more complex and organizations in that domain must manage more internal and boundary-spanning interdependencies.

Meyer and Rowan (1977) argue that there are some myths which describe the elaboration of complex relational networks in society or some myths that describe specific structural elements. For example, laws, educational and credentialing systems and public opinion then make it necessary or advantageous for organizations to incorporate the new structures. Meyer and Rowan stated that the myths generated by particular organizational practices and diffused through relational networks have legitimacy based on the supposition that they are rationally effective.

The other foundation work of the New Institutional Theory is the article by DiMaggio and Powell (1983). New Institutional Theory is based on the premise that organizations respond to pressures from their institutional environments and adopt structures or pressures that are socially accepted as the appropriate organizational choice. DiMaggio and Powell (1991) suggest that the term "New Institutionalism" rejects the

previous model of rational-actor. Further, DiMaggio and Powell suggest the idea of an interest in institution as an independent variable and an interest in properties of the supra-individual unit of analysis that cannot be reduced to aggregations or direct concentrations of individuals' attributes or motives.

4. Research Approach

Questionnaire data was collected from the four tourism companies which the in-depth case study focuses on. Limiting the case study to only four tourism companies was necessary to provide an in-depth analysis of the underlying management accounting practices. Some questions were developed based on the literature, others were developed based on the researcher's personal experience.

To explore the role of management accounting in decision making in the companies, the research was divided into three phases:

1. Phase one included gathering background information about the organizations by means of a questionnaire.
 2. Phase two consisted of gathering various documents with details of decision making, data about them, and discussion of them.
 3. Phase three consisted of conducting semi-structured interviews with the managers of the companies.
- There are four major Tourism companies in Kozani, each run by a separate organization or "company". Three of the companies are controlled by the municipalities in which they are located and one is controlled by the local prefecture. The four companies are therefore largely public rather than private enterprises (although one or two operate as if they were private enterprises), with their respective "owners" making appointments to their boards of directors. The companies have competitors, make their own decisions and are evaluated on their profitability. Most of the companies were established in the 1990s, with a few established three decades ago. Their average turnover is about €500,000 and their average net worth €50,000. The average number of employees within the companies is 20, half of whom are casual employees. None of the companies operates only seasonally.

The research was conducted by a survey of four companies, followed by intensive case studies of these. The four companies selected for the case study attract over 70% of the total number of visitors in Kozani. Three of the companies are controlled by municipal councils and the fourth by the local Prefecture.

In order to ensure confidentiality, the companies are referred to as Alpha, Beta, Gamma and Delta. Table 4.1 provides some background of the companies.

Table 4.1 Tourism Organizations

Organi- zation	Ownership	Staff* No.	Annual Turnover (Euro)	Industry Tourism	/ Objective
Alpha	Municipality	25	300,000	Service	Profit, socially responsible
Beta	Municipality	15	450,000	Ditto	ditto
Gamma	Prefecture	21	350,000	Ditto	ditto
Delta	Municipality	18	550,000	Ditto	ditto

*Staff are both full-time and permanent; however, most of the companies also employ additional casual staff during the peak season.

Overall, only a small number of the employees in any of the companies are involved in the decision-making process in their respective organization. The number of employees so involved varies between 20% and 35%. In all four of the selected companies, Alpha, Beta, Gamma and Delta companies, decision making is the responsibility of managers at all levels: senior, middle and junior. The managers selected for the semi-structured interviews were all involved in the decision-making process in their respective organizations, and all were happy to participate in the research. All the participants were male and all were Greek nationals. Table 4.2 shows the number of senior, middle and junior managers interviewed.

Table 4.2 Managers Interviewed

Managers (by Seniority)	Companies				
	Alpha No.	Beta No.	Gamma No.	Delta No.	Total No.
Senior Managers	1	1	1	1	4

Middle Managers	2	1	2	2	7
Junior Managers	3	2	3	2	10
Total	6	4	6	5	21

The interview participants selected from each company include senior, middle and junior managers in both accounting and non-accounting positions. Table 4.3 shows the number of managers interviewed who were / were not involved in accounting.

Table 4.3 Managers Interviewed: Involvement in Accounting

Managers (by Seniority)	Companies							
	Alpha No.		Beta No.		Gamma No.		Delta No.	
	Accounting		Accounting		Accounting		Accounting	
	yes	no	yes	no	Yes	No	yes	no
Senior Managers	1	0	1	0	1	0	1	0
Middle Managers	2	1	2	1	1	2	1	1
Junior Managers	2	1	2	1	2	1	2	1
Total	5	2	5	2	4	3	4	2

5. Findings

The first major finding of the research is that overall there is less reliance on accounting information such as the budget in day-to-day decision making. Thus, in practice budgets are minimally used as key management planning and control tools. Moreover, budgets play minimal roles as performance evaluation and motivational devices. There is minimal participation of lower-level managers in setting budgets in all four organizations. A top-down approach is therefore used to set budgets, and budgets are imposed by top management on lower-level managers. The minimal accounting knowledge possessed by the majority of the managers also reduced the extent to which budgets are relied on as planning and control tools in the show cave companies. For example, managers rely minimally on budget variance reports because the majority believe the reports are not tailored to their needs.

Institutional change affects the decision-making process in the management and operations of the companies. When there is a change of mayor or of the board of directors, this will lead to a change of company procedures as well as of investment decisions. Many times the profession, the mayor or the chairman of the board will influence decision making, requiring more bureaucratic procedures if the mayor is a civil servant or less if the mayor or the chairman of the board is a private sector employee. The findings also shows that in Alpha, Beta and Delta companies any shift in the administration always leads to a shift to a more strictly bureaucratic procedure or to the advocacy of investments for the benefit of the municipality rather than for the companies.

There are many similarities and differences in the operation and management of the tourism companies. However, the uses of accounting information between the companies are almost identical. The main institutional forms that shaped decision making and the uses of accounting data in the companies are discussed in the reminder of this section, under the headings of the three different forms of institutional isomorphism identified by DiMaggio and Powell (1983).

Coercive isomorphism: Alpha, Beta, Gamma and Delta companies are all subject to “coercive isomorphism”, resulting from both official and unofficial pressure by other organizations, primarily the local municipal council in the case of Alpha, Beta and Delta companies and the local prefecture in the case of Gamma Company, which in turn are dependent on other organizations and members of society in general (and voters of course). These influences correspond to the factors identified by DiMaggio and Powell (1983) in their article about isomorphism, where they stated that legitimacy is a question of cultural theory and speaking on behalf of theory requires cultural licenses.

The findings show that Alpha Company recommends that some investments be made in the municipality, although stating that it is not obliged to make them. These findings show a correspondence with the findings of Greenings and Gray (1994) and Meyer and Scott (1983).

Gamma Company is owned by the local prefecture. While this means that Gamma Company is also under “coercive” pressure from the prefecture authority concerning employment and investment decision making since its board of directors requires assistance from the prefecture authority to acquire areas of land for development by the company.

The municipality's participation concerns the company's board of directors, who need the help of the municipality to acquire land for development activities free of charge, what is similar to the findings by Meyer and Scott (1983), Mizuchi and Fein (1999) and Carpenter and Feroz (2001), who showed that the political survival of government officials depends on their ability to negotiate exchange with the environments.

Mimetic isomorphism: Alpha, Beta, Gamma and Delta companies are all subject to "mimetic isomorphism", realized in similar ways and for similar reasons. Especially in the early stages of its operation, Alpha Company relied heavily on imitating the organizational details of other show cave companies, such as a company's investment program, budget development, management regulations, company reports and regulations of services. The form of mimetic isomorphism practised by all four companies was how they set the prices for their services – they imitated other companies rather than taking into account their own costs. They did this whether they had been in operation a long time (such as Gamma) or only a relatively short time (such as Alpha and Beta companies). In addition, Gamma Company sought to copy other companies' regulations concerning management and staff to achieve a more effective operation.

The reason the companies were all subject to mimetic isomorphism is more or less the same for all, namely, facing organizational problems, uncertainty about their future – one of the reasons for mimetic isomorphism identified by March and Olsen (1976) – and having failed to make their goals clear, with the latter most certainly contributing to the former. In addition, the uncertainties felt in Beta Company by the board of directors led to the employment of a general manager, who was given a number of responsibilities, including cooperation with experienced accountants and the gathering of better accounting information.

Furthermore, imitation was also followed in decision making in the planning of new services. Gamma Company previously held the view that new services were not needed to expand its activities. However, after seeing what other companies were doing, Gamma Company was motivated to imitate them in the planning of new services.

Moreover, Delta Company was heavily affected by the Greek Government's budget, being forced to copy many of the actions already being taken by other companies, such as increasing funds for the municipality and intense monitoring of its management costs. The appointment of the mayor as chairman of the board of directors contributed to increasing the flexibility of some of its practices.

Normative isomorphism: While some of the practices followed by the four show cave companies are essentially fixed, thus showing them to be practising "normative isomorphism", this is not as uniformly so as for the other two forms of isomorphism, nor are the reasons for them practising normative isomorphism as uniform.

Alpha Company's current board of directors and Delta Company's previous board are composed of many former members of the local Chamber of Commerce, and these boards are inclined to make decisions in favour of professionals' fixed practices.

Furthermore, the chairman of Beta Company's board of directors is a municipal councillor who is a teacher at a state school, and thus the board's decision making is inclined to favour fixed practices, for example, in the development of the budget. The decision making at Gamma Company is similarly influenced by external factors, in this case by the local union, which exerts pressure on the company to employ guides who are specialists in Tourism. The general manager of Gamma Company stated that he has often proposed that the planning of services should be conducted based on the convenience of services; however, the board of directors frequently made planning decisions that took into account the "fixed" interests of Tourism economists.

In terms of conducting accounting research, New Institutional Theory (NIT) has a significant empirical application. The research shows that New Institutional Sociology (NIS) is methodologically and empirically sound and is a suitable framework for explaining the decision-making process in the tourism companies in Kozani. Using NIS, researchers will be able to integrate both the social and technical phenomena of the decision-making process and provide explanations for the functioning of a particular management accounting control systems.

6. References

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