

A Work Project, presented as part of the requirements for the Award of a Master's degree in
Management from the Nova School of Business and Economics.

INSIGHTS INTO BUDGETING IN THE HOSPITALITY INDUSTRY
THE CASE OF MICRO-LODGING ESTABLISHMENTS IN THE OPORTO REGION

LARA LOPES CARVALHO

54509

Work project carried out under the supervision of:

Professor Leonor Ferreira

19/12/2023

Abstract

This Work Project investigates the use of budgets and other planning and control techniques by micro-Lodging Establishments (LE). Thirty-two managers of LE located in the Oporto region responded to a questionnaire focusing on the adoption of budgets, and other techniques based on sustainability measures and online reviews. The paper explores LE characteristics and management, by comparing them to larger organizations in the hospitality industry. The research addresses LE managers as the results show they should be more aware of the importance of adopting and mastering budgeting and other planning and control techniques to improve the overall performance of their businesses.

Keywords: Budgeting, Hospitality, Lodging establishments, Micro enterprises, Planning and control, Oporto region.

This work used infrastructure and resources funded by Fundação para a Ciência e a Tecnologia (UID/ECO/00124/2013, UID/ECO/00124/2019 and Social Sciences DataLab, Project 22209), POR Lisboa (LISBOA-01-0145-FEDER-007722 and Social Sciences DataLab, Project 22209) and POR Norte (Social Sciences DataLab, Project 22209).

1. Introduction

The hospitality industry is now, more than ever, one of the biggest drivers in global value creation. In Portugal, it is estimated that this industry will reach a peak by the end of 2023, contributing more than 61.6% to national GDP growth and representing 15.8% of the economy (WTTC 2023a). The recent reality of Local Lodging represents 3.8% of the national GDP (NovaSBE 2023) and is a major driver of this increase given the exponential demand and supply growth for the mentioned type of accommodation, reaching 34% between 2014 and 2022 (Tomé 2023). Local Lodging is divided into four categories¹: bedrooms, apartments, villas and Lodging Establishments (LE).² This Work Project only analyzes the latter, which is generally commercialized as ‘Guest House’, ‘Bed & Breakfast’ or ‘Hostel’.³

The majority of LEs are classified as micro companies. In 2021, SMEs amounted to a total of 1,357,657 and accounted for 99.9% of Portuguese companies, out of which 96% are classified as micro entities.⁴ Given that both human and financial resources are limited in these organizations, there is a tendency for the owners to play the managers’ role, leading to the alignment of interests and intuitive decision-making. Besides this, micro companies are normally family businesses and primarily use private funding.⁵ These characteristics can lead to discarding planning and control techniques such as budgeting, which are commonly used in the hospitality industry to detail and plan the operating year and review business activity and profitability (Morris, McKay and Oates 2009). Nonetheless, there is a sizeable lack of research on planning and control techniques that may apply to micro-entities and local establishments, such as those budgeting techniques.

¹ See https://business.turismodeportugal.pt/pt/Planear_Iniciar/Como_comecar/Alojamento_Local/Paginas/default.aspx

² These are facilities that constitute a group of bedrooms in an urban building destined to individual use, which are designated by Hostels if the essence of this establishment are dorm rooms.

³ In Portugal, hostels have no capacity limit, in contrast to the nine bedrooms and 30 guests for the general LE, and they must have shared common areas so that guests can socialize. (Law No. 62/2018, of 22nd August)

⁴ See more information at [https://www.pordata.pt/subtema/portugal/pequenas+e+medias+empresas+\(pme\)-378](https://www.pordata.pt/subtema/portugal/pequenas+e+medias+empresas+(pme)-378)

⁵ Only 36% of the Local Lodging establishments resorted to financial funding from banks, and just 38% are owned by companies (NovaSBE 2023)

The current literature on the Portuguese hospitality industry focuses mainly on four- and five-star hotels and hostels in the Lisbon and Algarve regions. It is therefore important to explore this growing part of the corporate landscape, which is not correctly represented in the official statistics.⁶ This Work Project aims to characterize the micro-LEs from the Oporto region and analyze the Planning and Control Techniques (PCT) used by them, namely budgeting techniques. This research addresses managers of the LEs in Portugal, as well as the activity in general, demonstrating the need to be flexible and improving management practices that favor the use of the limited available resources to their full extent. Furthermore, this research provides detailed information useful to regulators, and influential organizations in the sector, such as local authorities (City Halls), the Portuguese Tourism Board (*Turismo de Portugal*) and ALEP, the Association of Local Lodging in Portugal (*Associação do Alojamento Local em Portugal*).

This Work Project is organized into seven sections. Following this introduction, Section 2 contains a brief overview of the hospitality industry in Portugal, with some prominence given to the Oporto region and the concept of LE. Section 3 describes the theoretical approach to budgeting and its characteristics. Section 4 reviews the literature on the topics of budgeting and other planning and control techniques. Section 5 outlines the methodology of the study, including a description of the questionnaire submitted to LEs, the sampling and the research variables. Section 6 presents the results of the research and compares them with the previously reviewed literature. As the conclusion, Section 7 summarizes the main findings, adds recommendations for LE managers and regulators, plus the limitations and suggestions for future research.

⁶ The report elaborated by Nova SBE (2023) as a request of ALEP, concluded that the official statistics do not reflect the reality of this context. As an example, the weight that Local Lodging represents in the total of nights spent by guests is not of 14.5% but approximately 40%.

2. Overview of the Hospitality Industry with Emphasis on Local Lodging

The hospitality industry contributes directly to the growth and development of every country's economy through tourist spending in diverse sectors and employment opportunities. Besides this, it can boost foreign investment and entrepreneurial activity, improve infrastructures, and contribute to the region's image and value recognition (Tohidy Ardahaey 2011).⁷ More pertinently, in 2022, the Travel & Tourism sector accounted for 7.6% of global GDP and the creation of 22 million new jobs worldwide (WTTC 2023b).

Until recently, there was no legal distinction between 'Local Lodging'⁸ (LL), and traditional tourist resorts in Portugal. However, due to the exponential growth of the former, legislation was introduced, recognizing the LL as an independent legal entity in 2018 (Turismo de Portugal 2021). Hostels are now represented by a single organization, Hostel Association of Portugal (*Associação Hostels de Portugal*, AHdP), created in 2006 at the time of appearance of the first LL (Santos 2023). More recently, the *Association of Local Lodging of Oporto and the North* (*Associação do Alojamento Local do Porto e Norte*, ALPN) was formed in July 2023.⁹ By July 2022, there were 435 hostels in Portugal, representing 21% of the LLs capacity and 13% of all hosting facilities (Tomé 2023). This market growth is being driven by young travelers, aged 18 to 35, that see hostels as the perfect alternative to traditional accommodation, due to the need to seek new experiences and to socialize with others at affordable and convenient locations.¹⁰ Furthermore, these customers represent a quarter of the total international arrivals in Portugal¹¹, creating an urgent need for a rise in the number of facilities in supply (Santos 2023).

⁷ Even though it can be seen as a very volatile sector given the impact external drivers can have, it has been recovering from the COVID-19 pandemic downturn in 2020.

⁸ In Portugal, LLs provide a temporary lodging service, namely to tourists, under remuneration and that are not considered to be a tourist resort (hotels, resorts, camping parks, etc.).

⁹ See more information at <https://alpn.webnode.pt/>.

¹⁰ This population is mainly segmented into students and travelling workers, which have the tendency to move around different cities, arrange lower budgets and extend their stays (Mohn 2016).

¹¹ The appearance of low-cost airlines like Ryanair and EasyJet are another justification for this type of lodgement, given that a good proportion of the tourists that buy these flights at such low price are attracted to the same budget when it comes to their night stay (Franco, Correia, and Franco 2018).

When taking into account the characterization of LE, it is important to mention the concept of Small and Medium-sized Enterprise (SME) and the fact that hospitality companies accounted for 8% of these in Portugal, in 2021 (Pordata 2023). According to EU Recommendation No. 2003/361, an SME is defined as having a staff number of less or equal to 250; a turnover below EUR 50 million or/and a balance sheet total, below EUR 43 million.¹² These criteria also divide enterprises into micro, small and medium enterprises.

SMEs are the economy's drivers, they are more flexible when compared to larger companies, allowing adaptation to a constantly changing and competitive environment. By purchasing locally and creating jobs for semi-skilled workers, among others, they stimulate and sustain the national income, employment, productivity and entrepreneurial training (Erdirin & Ozkaya 2020). Moreover, barriers to their development are due to government regulations, foreign markets' access, and difficulties in recruiting qualified staff and skilled workers (OECD 2017).

In 2021, 465 small and medium tourism companies were distinguished by their financial performance and awarded the SME Excellence Status (Turismo de Portugal 2022), showing their importance in the Portuguese economic context, with the creation of 67.4% of wealth and 85.6% of employment in the hospitality industry (Banco de Portugal 2023).

Oporto is the second largest city in Portugal, after Lisbon. These two cities account for 45% of the registered hostels in the country and in 2022 they accounted for 55% of the tourist demand in Portugal (Tomé 2023). Nonetheless, in the last few years Lisbon received a huge influx of tourists causing the phenomenon of 'overtourism', which was a reason for the shortage of available homes in the market and locals to protest (Richards and Marques 2019). As a result, the focus was brought to the north of Portugal. The first four months of 2023, Oporto saw tourism occupation increase by 48% when compared to the same period in the previous year

¹² Due to inflation, the European Commission amended the thresholds for this categorisation, which should be applied for financial years beginning on or after 1 January 2024 (C(2023)7020 amending Directive 2013/34/EU).

(Porto 2023). Additionally, the city received awards as a privileged destination.¹³

3. Budgeting Techniques and their Use in the Hospitality Industry

Management accounting techniques, such as budgeting and other planning and control techniques, are fundamental to the reliable running of a company. “Budgets are merely a collection of plans and forecasts. They reflect the financial implications of business plans, identifying the amount, quantity and timing of resources needed” (Smith 2007, 137), allowing companies, from micro to multinationals, to prioritize expenditures in line with the allocation of limited resources. The purpose of budgeting is then to make progress easily measurable through the financial values attributed and transforming strategic plans into effective organizational actions (Hänninen 2013).

Numerous researchers confirm that budgeting is the most used technique by hotels (Cruz 2007; Jones 2008; Arroiteia, Lima Santos, and Gomes 2013; Cardoso 2014). Despite its importance, Traditional Budgeting techniques have been subject to criticisms such as constraint of flexibility and the high consumption of resources compared to low results. In an attempt to overcome its dysfunctionalities in the current context, several authors studied Better Budgeting Alternatives (BBA), from which the zero-based budget, flexible budgeting, and activity-based budget are the three most discussed (Neely, Bourne, and Adams 2003). These alternatives can be advantageous to micro companies, for example, "flexible budgets allow us to stimulate alternative scenarios, for different activity levels, and can help planning and decision making" (Burns et al. 2013, 209). An even more radical proposal is Beyond Budgeting, a theory in which the budget would be eliminated for efficiency purposes. A study by Boston Consulting Group shows that the benefits of this last technique encompass increase in sales, significant reduction of costs in the process, more effective decision-making, and greater agility in reallocating

¹³ World's Leading City Break 2020 (Porto 2020) and Europe's Leading City Destination 2022 in the World Travel Awards (WTA) (Porto 2022).

resources (Stange, Bogsnes, and Sheth 2021).

Considering the limitations of micro companies' operation, the EU offers them permission to comply with a more basic and abridged financial reporting¹⁴ which may result in outsourcing and could understandably be an obstacle to using more sophisticated PCT and thus, the practice of extensive budgeting. Besides this, the limited human and financial resources together with the overlapping of positions of the owner and manager, eliminate the agency theory problems and the need to elaborate very detailed and organized plans and communicate them (Ruiz and Collazzo 2021). On another note, the tendency to rely on family and personal funds is negatively associated with management and control practices (Araújo et al. 2016), reinforcing the basic nature of the activity. Given these characteristics, it is worth knowing whether budgeting techniques used in hotels are useful for micro establishments or do they simplify those techniques considering that these companies can rely on external information that indirectly impact their operations, such as online reviews. These reviews offer valuable insights into the customer perspective, enabling managers to have a better understanding of their products and make the necessary improvements.

Furthermore, another simple planning technique could be following certain sustainability goals.¹⁵ A significant share of European SMEs have already started the sustainability transition, with investments in transformation processes, and more than 50% plan to invest in reducing emissions and tackle the impact of climate change (European Commission 2022). However, the uncertain markets and local environmental policies but, above all, the limited resources delay the process. Besides that, less skilled human capital can lack information and awareness of opportunities, and of the support options to environmental regulations.

¹⁴ Directive 2012/6/EU on micro-entities. See more information at https://ec.europa.eu/commission/presscorner/detail/de/MEMO_13_540

¹⁵ In comparison to larger hotels that tend to adopt the Uniform System of Accounts for the Lodging Industry (USALI), LEs do not comply with such programs that incentivize savings in water and electricity, for example (Schmidgall and DeFranco 2015).

4. Literature Review

Budgeting and other PCT are extensively present in the literature about hospitality industry and in the SME context. A summary table of this chapter can be found in Appendix 4.

According to Schmidgall (1995), Traditional Budgeting can be a helpful technique for managers in setting goals, because if goals are properly identified and aligned with the organization, the budgets can result in a positive and motivating influence on employees.

Schmidgall and DeFranco (1998) reached an extensive set of conclusions regarding budgeting techniques based on a questionnaire submitted to hotels in the United States. The most relevant conclusions were the following: most of the respondents set financial goals before preparing the operations budget, this technique is mainly used as a control and planning tool, the probability of preparing a long-term budget increases with company size (proxied by level of sales), less than a quarter revise budgets during the year, and finally, departments or financial executives coordinate the process. In addition, they found that more than 90% of hotels recur to historical data in their sales forecasting process when preparing the traditional budgeting.

In a study of Portuguese four- and five-star hotels in the Algarve, Faria (2012) observed that more than 80% of the establishments started the budget preparation one to three months in advance; among the information used in this process the most common is the previous year's actual values while the least is the budgeted values; for the comparison of costs and revenues Faria's (2012) findings show that 68% of the establishments compare actual outcomes with the original budgeted figures.

More recently, Prien (2021) studied the pandemic's impact on budgeting in the hospitality industry in a German chain of small hotels. In the case of Better Budgeting approaches, the study mentions that only 9% of the sample uses it but only in the form of zero-based budgeting.

According to Lidia (2014), the main benefits of budgeting techniques are the support in planning and coordination of activities, the allowance of an effective control and the help in the

achievement of the objectives. Despite the benefits resulting from budgeting techniques, there are many criticisms from researchers (Bunce, Fraser, and Woodcock 1995; Neely, Sutcliffe, and Heyns 2001; Hansen, Otley, and Van der Stede 2003; Neely, Bourne, and Adams 2003). Common points of agreement are that budgeting ignores value creation in the pursuit of cost reduction by focusing on the short-term targets instead of long-term strategies and constrains flexibility leading to lack of responsiveness needed in constantly changing environments. Additionally, budgets consume too many resources, both money and time, that are not compensated by the results, and strengthens vertical control and centralization of decision-making. Moreover, Lidia (2014) points to the difficulties of budget preparation, including the necessary level of communication, coordination and cooperation.

Regardless of all the criticism and the assumption of a relatively stable environment under which traditional budgeting was developed, this technique is still the most used by hotels (Cruz 2007; Jones 2008; Arroiteia, Lima Santos, and Gomes 2013) and in companies with less monetary power (Bunce, Fraser, and Woodcock 1995). In line with previous research by Cooper et al. (2005), Burgess, Ong, and Shaw (2007) and Garengo and Bititci (2007), Melia and Robinson (2010) showed that due to lack of resources and shortage of strategic planning, smaller organizations generally do not gather data such as market share and benchmarking.

Research has continually shown that small- and medium-sized hotels focus on financial performance even when they acknowledge the existence and importance of other performance indicators (Atkinson and Brown 2001). Casqueira et al. (2016) reached a different conclusion for small hotels in Portugal, arguing that the rationale behind the low use of industry specific operational indicators is simply because managers are not acquainted with them.

On another note, larger organizations have more structured and detailed processes for effective budgeting, while small businesses tend to be more informal, spontaneous, and practical (Radović and Radojević 2014). The same research also mentions that budget

preparation uses information from previous periods and market trends, such as sector-specific spending, price and capacity levels.

As for the use of budgeting techniques by SMEs, Fasesin et al. (2023) conducted a questionnaire with 250 manufacturing SMEs in Osun State, Nigeria, finding that only 60% of small businesses use budgets, in their majority sales and cash budgets, and that their preparation and revision is done once a month. From a regression analysis, the authors concluded with a 5% significance level that budgetary control would make a significant difference to the financial performance of SMEs. Maduekwe and Kamala (2016) also sent out a questionnaire to SMEs in Cape Metropolis, South Africa, and discovered that 79% of the businesses inquired use budgets, with 84% of respondents preparing sales and cash budgets.

The findings of Ruiz and Collazzo (2021) state that despite the differences with larger organizations, micro and small companies also make use of management accounting techniques. These techniques use a much simpler approach, consisting of objectives, plans and just a couple of metrics for performance monitoring. This approach derives from a lack of the necessary managerial skills, operational inefficiencies, and limited access to resources. In addition, Cardoso (2014) agreed that small companies access less sophisticated techniques given that owners exercise even more control.

Armitage, Lane, and Webb (2020) interviewed mid-sized metropolitan Canadian companies and focused on the role that operating budgets play in SMEs. The findings suggest that the main purpose and benefit of using budgets in these companies is the discipline it brings to the planning process, and not as a control tool. When preparing budgets, most of the sample adopt a collaborative approach rather than a top-down approach.

Additionally, given that the preservation of natural resources is an emerging and important issue arising in all industries, Alonso and Ogle (2010) approached the hospitality sector in Australia with the objective of understanding operators' awareness of the issue. The authors

conclude that managers are aware of their responsibilities and are motivated to engage proactively. Sakshi et al. (2019) provide some key contributions of the positive impact of environmental policies on the hospitality sector, emphasizing that the conservation of resources and energy improves both environmental and financial performance, which implies that the costs saved actually improve the hotels' profitability. Furthermore, Ladhari and Michaud (2015) studied the impact of online reviews (by guests) on hospitality establishments and it seems clear that positive online reviews generate goodwill, measured in positive booking intentions.

Despite the focus on the hospitality industry and SMEs, these studies essentially concern hotels leaving an opening to investigate the recent reality of LEs and their PCT. Succeeding this, to the best of our knowledge, the case of micro-Lodging Establishments in the Oporto region has not been researched yet.

5. Methodology

The purpose of this Work Project is to study the use of PCT, with emphasis in budgeting in micro-Lodging Establishments of the Oporto region, to overcome the lack of literature on a growing matter and assist the call for research on these establishments by industry associations. Following on from the previous sections, five research questions (RQ)¹⁶ have been outlined:

RQ1: *Why do LEs adopt budget or not?*

RQ2: *What are the characteristics of budgeting in LEs?*

RQ3: *What are the approaches used by LEs in budgeting?*

RQ4: *Which other planning and control techniques do LEs use?*

RQ5: *How is budgeting related to the LEs characteristics? And to the management profile?*

¹⁶ Appendix 5 presents the variables investigated in order to answer the research questions.

Questionnaire

The research relies on primary data collected via a questionnaire submitted to the LE managers.¹⁷ The questionnaire is presented in Appendix 6. It has a total of 57 questions which cover the subjects of budgeting and other PCT that include sustainability, online reviews and performance evaluation, plus the characteristics of the LE, the industry, and the respondents. It was based on the structure of the survey conducted by Faria (2012) applied to hotels located in the Algarve region¹⁸, thus enabling a valid comparison.

The first section, ‘Characteristics of the Establishment’ asks for the essential information on the LE, such as the name and age, location, size (number of rooms, capacity, number of workers, including part-time and seasonal workers), as well as the type of operation and management. The respondent is also asked about the annual revenues and occupation rate. The next section, ‘Industry’ provides awareness of the respondents’ perception regarding the context of the LEs industry¹⁹, the seasonality factor and the municipal tourist tax.²⁰

The questionnaire is then divided depending on the respondents reply on the use of budgeting techniques. Should the answer be yes, the respondent will be asked about its advantages and to describe the process, including the factors type and frequency, adoption stage, resources and information used, budget revision and BBA. In addition, they are asked about the starting point, the responsible for budgeting and management approach. There are two open questions regarding cost concerns and the revenue control techniques which allow the respondent to give a more personal input. When the LE has no formal budgeting system, the objective becomes to understand why, and if there is any intention of adopting such a system in the future.

¹⁷ At the beginning of this research, secondary data was also retrieved from the website of Turismo de Portugal, in order to identify the facilities that would be analysed and their basic information. The Booking.com website was also consulted to retrieve the online score of each LE.

¹⁸ In addition, Google Forms was used to elaborate the questionnaire and the statistical analysis of the data was realized with the IBM SPSS Software.

¹⁹ Including the Porter’s Five Forces framework (Porter 1979).

²⁰ The municipal tourist tax charged consists of an amount applicable to guests who are aged more than 13 and it is paid per night per person with the goal of minimizing the social and environmental impact caused by tourism.

The following sections address the other PCT. In the ‘Sustainability’ section the respondents were asked about their concerns in the case of adopting measures for these objectives, and about the reasons for not doing so. To understand the ‘Planning Based on Guest Reviews’, the managers were asked about the impact of these comments on their business performance and about a possible correlation between the reviews and the reservations. Additionally, the ‘Performance Evaluation’ section refers to the purpose and importance of both financial and operational indicators. Moreover, the respondent is asked about factors used in the comparison of revenues to costs during the period under analysis.

The last section, ‘Profile of the Respondent’ provides the basic information about the individual, such as age, educational background, experience, and years in the industry.

The questionnaire is composed of both closed and open questions. The former delivers nominal and quantitative data, while the latter offers a better perception of the managers’ views and gives them the opportunity to expand on the topics. There are also five-point Likert scale²¹ questions providing the respondent with a wide range of options to complete the survey more rapidly and intuitively (Sekaran and Bougie 2016).

A pre-test of the questionnaire was made in order to ensure its validity. A professor at a prestigious Portuguese university with knowledge in budgeting, small businesses and the hospitality industry reviewed the questionnaire. Her feedback helped to verify that the questionnaire was unambiguous and straightforward for the intended purpose. Furthermore, semi-structured interviews were conducted with two LE managers²² to reinforce the validity of the data gathered and to present insightful information on the research questionnaire. This allowed the next and final version of the questionnaire to be refined, strengthening the internal validity, and enhancing the overall robustness of the research (Sekaran and Bougie 2016).

²¹ This scale was chosen considering the rest of the literature analysed and the comparison that would be necessary in the results. Besides that, a smaller sample requires a smaller scale to avoid having a huge dispersion of answers.

²² The managers were both aged between 30 and 50, had no university degree and represented a family business.

Sampling

This research focuses on the LEs located in the cities of Oporto, Póvoa de Varzim (PV) and Vila do Conde (VC), seaside regions in the North of Portugal, normally crowded in the high season. In August 2023, there were 638, 45 and 36 LEs registered by *Turismo de Portugal* in the cities of Oporto, VC, and PV, respectively.²³ In this Work Project, the Oporto region is represented by these three cities of the district.

The sample is limited to LEs available on Booking.com with a review score from 0 to 10. This criterium is important, given that one of the research objectives is to understand if LEs adopt other PCT, which can be based on the guests' online reviews. The initial criteria for inclusion of an LE led to a sample of 254 LEs after excluding 379 establishments due to misclassification in the National Register (for example the facility is registered as an LE, while being an apartment) and another 86 due to absence in Booking.com.

The questionnaire was sent by email to the 254 LEs on the 22nd of September 2023, and phone calls were made in an attempt to boost the response rate and overcome the number of people that might have ignored the email. In fact, it was not possible to reach all the managers because some of the LE did not provide direct phone numbers²⁴ and others were temporarily closed, leading to a final sample of 214 establishments.²⁵

The last response to the questionnaire was admitted on October 11th, completing a total of 32 responses^{26, 27} received out of the 214 establishments contacted (17 from Oporto, 12 from Póvoa de Varzim and 3 from Vila do Conde), and performing a response rate of 15%. Considering the low number of answers from VC, it was decided to join it with PV and refer to

²³ The research was made by accessing the website of National Registration of Local Lodgement – RNAL, Registo Nacional de Alojamento Local, at https://rnt.turismodeportugal.pt/RNT/Pesquisa_AL.aspx

²⁴ This can be justified by LEs only using Booking.com as reservation channel.

²⁵ The data collected was treated with strict confidentiality in line with Portuguese and EU regulations.

²⁶ This sample can be characterized as random considering that all the initial establishments received the questionnaire and were given the opportunity to answer but the results were retrieved from the information provided only by the ones who completed the questionnaire.

²⁷ In the final sample 37.5% of the establishments are Hostels.

them from now on as ‘Coastal’ cities. Among the respondents, 59.4% have a university degree, however only 6.3% specialized in tourism and 25% in management. Professionally, 28.1% have experience in management and 21.9% in tourism, and the average number of years in the hospitality sector is 6.8.²⁸ Lastly, half of the managers work in more than one LE.

The sample establishments have been in business for an average of 7.3 years. Regarding the operating type, the majority (81.3%) are managed by the owner²⁹, while 18.7% are accounted for by lease agreements; and they are all independently managed except for one LE that belongs to a national chain of hostels. The median number of rooms is 5.5, with a capacity for 14 guests, with two employees, meaning that at least half of the LEs have lower values for these variables. Combined with the average of 1.75 employees responsible for management, the micro classification of these establishments and their limited resources is reinforced.³⁰ Regarding the workers’ regime, 75% of the establishments have part-time workers but only 34.4% have seasonal workers. In 2022, 48.1% of the establishments achieved a sales volume higher than EUR 100,000, and 44.4% made less than EUR 50,000. The average occupancy rate, for the same year, was approximately 75%, with 44.8% of the LEs having rates higher than 80%, the standard deviation of this variable is of 1.2 which can justify the differences in part-time and seasonal workers and seasonality. Besides that, all the LEs indicated that occupancy rate varies throughout the year, proving the existence of seasonality. The percentage of establishments with higher sales and occupancy rates are from Oporto, demonstrating the clear disparity between this city and the coast.

²⁸ The average number of years in the hospitality sector is lower than the average age of the LEs in the sample. This might be justified with the fact that some of these LEs are family businesses that are passed through generations, as the examples from the interviews were.

²⁹ Reinforcing that the sample is composed by micro companies in which owners determine the decision making.

³⁰ The majority of these characteristics reinforce that these LEs are SME. There is recognition that most of these structures are limited in a way to manage risk and avoid fixed costs, considering that they prioritize flexibility to adapt to the unexpected changes of the market (Rivaud-Danset, Dubocage, and Salais 1998).

Concerning pricing, 78.2% of the LEs indicate that their price is ‘very influenced’ and ‘extremely influenced’ by the market. The most intense drivers were seasonality and threat of new entrants with averages of 3.59 and 3.5, in a 5-points scale, while suppliers and buyer power were the least intense factors with averages of 2.94 and 3.09, respectively. When looking at the more detailed data, all the factors are considered more intense by the Coast than by Oporto. The most significant differences are related to seasonality and the municipal touristic tax, while the Oporto LEs average is ‘slightly intense’ on these factors, the Coastal LEs average is on the level ‘very intense’ for seasonality. One of the managers interviewed stated that “this rate can reach 90% from May until October but in the rest of the year it would be within 50 to 70%” [INTERVIEWEE A]. In addition, the other manager mentioned that “seasonality has such a significant weight in this activity that during the low season the establishment is closed to make infrastructures improvements” [INTERVIEWEE B]. Regarding the municipal touristic tax, from the interviews it is clear that this is a concern for the Coastal LEs because, as one manager noted, “due to inflation, we are forced to increase prices, and this factor limits the range” [INTERVIEWEE A].

Even though the threat of new entrants was the second most intense factor for the LEs, according to the comments retrieved from the managers’ interviews, this factor is no longer a big concern since they consider that with “the increase in regulation³¹ and new taxes³² for this type of lodging, the willingness to create new ones is fading”³³ [INTERVIEWEE A]. Additionally, “the preoccupation with substitutes, particularly apartments, is growing because they are offering better conditions at the same price levels” [INTERVIEWEE B].

³¹ LE have been exposed to several changes in regulation in 2023 that are not financially sustainable for new businesses or owners that depend on this activity (Mendonça 2023).

³² These types of facilities are subject to extraordinary taxes from the government as an attempt to solve the house market pricing. For example, LEs have to pay an extra tax of 15% (Law No. 56/2023, issued on 6th October 2023).

³³ In October 2023, it was determined the suspension of new LE and apartments that are in autonomous buildings for independent utilization (ALPN 2023).

6. Results

Adoption of budgets (RQ1)

From the sample, only 44% adopt formal budgets, meaning that the majority of the establishments do not plan with budgets. This obtained result contradicts those found in the literature reviewed. Fasesin et al. (2023) and Maduekwe and Kamala (2016) state that more than 60% of small businesses use formal budgets. On the other hand, this Work Project confirms the research of Radović and Radojević (2014) that mentions that small businesses are more informal compared to larger organizations which adopt more structured and effective budgets.

Budgets are mostly used by LEs for planning and control of target achievement purposes (average of 4.86 and 4.64 on a 5-point scale of importance), yet largely ignored when it comes to authority and responsibility considering the lowest average of 3.93 and biggest standard deviation of 1.2. Additionally, planning and control show a minimum value of 4, while the others range from 1 to 3. Regarding employee motivation, the average of this factor is 4.07 which is relatively lower and can be justified by one of the comments from the first manager interviewed: ‘I believe the budget is more motivating for the manager than for the rest of the employees’ [INTERVIEWEE A].

By comparing the two regions, it is noticeable that all factors have a higher average importance for the Coastal LEs than for Oporto ones, also reflected in the median value of 5 being the maximum for all the factors in the Coast. Furthermore, the average difference (5 to 3.86) of the factor ‘detecting inefficiencies’ shows that the Coast establishment attributes more value to this than Oporto does. These findings coincide with those of Schmidgall and DeFranco (1998) and Lidia (2014), who observed that budgeting techniques were mainly used as a control and planning tool and to help achieve the objectives.

On the other hand, some LEs do not use budgets and among the reasons are the bias that can affect this process and the tendency to overstate costs and understate revenues (27.3%),

followed by the lack of flexibility and adjustment to the environment (22.7%). Notwithstanding, one establishment mentioned the difficulty of preparing budgets as an impediment, what in fact Lidia (2014) stood out as one of the most significant disadvantages of budgeting. In addition, two LEs mentioned that budgets were not used considering that management was only done by one person and that the revenues always surpass the projections. By comparing both regions, it is visible that Oporto indicates more relevance to the tendency for budgets to be biased and the difficulty in preparing them, while the Coast highlights more the fact that budgets are easily manipulated, and they limit the firm's flexibility.

The findings of the two most frequent reasons for not adopting budgets are consistent with most of the literature review (Bunce, Fraser, and Woodcock 1995; Neely, Sutcliffe, and Heyns 2001; Hansen, Otley, and Van der Stede 2003; Neely, Bourne, and Adams 2003).

The establishments that do not elaborate budgets were questioned about their intentions for its future use. The indecision was present in their answers since 77.8% chose 'Maybe', 16.7% do not intend to adopt them in the future and only one establishment wants to make this addition.

Description of the budgetary process (RQ2)

Looking at the adoption stage of formal budgeting, 71.4% of the sample use it since the beginning of the activity, 21.4% started sometime after and only one adopted it recently.

As for BBA, 31.6% of the managers are not aware of these alternatives, while 31.6% prepare flexible budgets, 26.3% activity-based budgets and 10.5% use the zero-based budget technique. Regarding resources used in this process, the most common is Excel (63.2%) and accounting software (36.8%) that allow the analysis of more than just the budget itself.

Concerning the frequency and types of budgets, the median (4) of the answers indicates that at least 50% of the LEs prepare monthly budgets for sales, profits, cash and costs. Moreover,

four respondents elaborate daily budgets.³⁴ Besides that, one respondent mentioned that ‘Investments’ were also considered part of cost budgeting but were not used regularly. Surprisingly, only 12.5% of the establishments prepare long term budgets.

According to the literature, the Work Project findings are supported, as it was observed that the most common type was sales and cash budgeting (Maduekwe & Kamala 2016) and Fasesin et al. (2023) have shown that the preparation of these budgets is done monthly. Additionally, Prien (2021) observed that 9% of small and medium hotels adopted zero-based budget. Considering the effect of seasonality mentioned by LEs, it is recommended that managers take advantage of BBA that allow an easier adjustment to the environment’s challenges.

The information most used to assist the budgeting process is the previous years’ actual figures (showing an average of 4.64 on a 5-point scale and both a median and mode of 5). The least used are the industry statistics³⁵ (average of 3.79 and median of 3.5). Even so, the information with the highest standard deviation of 1.3 is the previous years’ budgeted figures.

These observations are in line with previous studies by Schmidgall and DeFranco (1998), Faria (2012) and Radović and Radojević (2014), which indicate that historical data is the most used when preparing budgets. However, Radović and Radojević (2014) refer to the use of destination events, and regional economic and political developments that are not significant for this research respondents. Moreover, Melia and Robinson (2010) also show that smaller organizations do not have the tendency to gather data such as market share and benchmarking which aligns with the results of this WP of industry statistics being the least accessed.

Only one establishment that elaborates budgets does not revise them. On the other hand, most of the establishments revise their budgets monthly (53.8%), and when necessary (30.8%), only one establishment revises them quarterly and another one semi-annually. Fasesin et al.

³⁴ It is understandable that most the respondents adopt a monthly operational budget, and some daily, considering a short-term perspective due to seasonality and the need to have flexibility to adapt to the changing environment.

³⁵ This result is not surprising considering that micro companies do not need to publicly share their accounting results and Local Lodging is a recent subject in the hospitality industry, leading to the lack of data in this field.

(2023) also found that budget revision is done monthly. In contrast, Schmidgall and DeFranco (1998) observed that less than 25% of the sample revise budgets during the year.

Budget approach (RQ3)

In most cases, the budgetary process is the responsibility of the manager (71.4%), while owners and external entities represent 14.3% each. Regarding management approach, half of the respondents indicated to have a combination of top-down and bottom-up approach, 21.4% participates in a bottom-up approach and 14.3% are in a top-down hierarchy. Besides that, the remaining two respondents indicated not to be aware of the system that dominated in their organizations. This result was not surprising considering that these are micro establishments precisely because they have a low number of workers. Therefore, a collaborative approach is more reasonable since the hierarchical levels and the agency theory, common in large hotels, are eliminated.³⁶ This conclusion is in accordance with Armitage, Lane, and Webb (2020) who showed that organizations adopt a collaborative and not top-down approach to prepare budgets.

Besides that, the majority of managers (57.1%) start the budget preparation only one to three months in advance, while 21.4% start with more than three months in advance and 21.4% only start during the budgeting period. Faria (2012) found similar results since the starting point for budgeting in 80% of hotels begins one to three months in advance.

Other planning and control techniques (RQ4)

Besides traditional budgeting techniques (36.7%), LEs also use other PCT, such as planning for sustainable development (36.7%) and controlling support techniques based on guests' online reviews (26.7%). Oporto LEs (60%) are more likely to consider guest reviews in their planning than the Coastal ones (33.3%). The establishments with higher income invest more in these techniques. The findings align with Cardoso (2014) when mentioning that small companies make

³⁶ This approach can also justify not adopting budgets or evaluating performance given that with only a small number of workers this is not a concern.

use of less sophisticated PCT.

Among the LEs that do not prepare traditional operational budgets, 4 (26.7%) do not use any PCT at all. However, 46.7% make use of guest reviews to support the management decision process and 26.7% prepare plans according to sustainability goals. This result highlights the importance of non-financial dimensions for these establishments and the will of managers in discovering different techniques to assist their activity.

Regarding the techniques used to support the control of sales, most respondents indicated the use of channel managers with management reports, daily analysis of the competition and the data provided from the reservation's websites of Booking.com and HostelWorld.

Twenty-six of the respondents demonstrate to have taken actions according to sustainability measures. The biggest concerns include waste management (21.8%), water and energy conservation (20.8% each), while the least relevant appear to be pollution from cleaning products (10.9%) and green procurement (9.9%).³⁷

The establishments that do not adopt any sustainable measure justify this fact with the short-term profit focus (19%), limited access to resources (19%), followed by perceived high costs (14.3%) and lack of awareness on the subject (14.3%). One establishment selected the lack of education on the subject as an obstacle.

When analyzing the connection with size (proxied by sales), it is notable that the establishments with higher levels of sales are more willing to allocate resources to sustainable actions (65.2% of concerned establishments make more than EUR 50,000 annually) than those with less financial stability (62.5% of establishments that do not take action make less than EUR 50,000 annually).³⁸ Furthermore, even if some establishments are not yet developed on

³⁷ These results are in line with the most recent edition of USALI that includes a new section dedicated to Energy, Water, and Waste (EWW) providing metrics and tools to measure cost and consumption (Brinza 2022).

³⁸ Besides that, while 61.5% of the establishments that show concern about this matter are from Oporto, 66.7% of the ones who have not taken initiative are from the Coast.

this matter, 70% confirmed their intentions to use more sustainable approaches in the future and the remaining 30% answered maybe instead of no.

These findings are reflected in the existing literature of Alonso and Ogle (2010). On the one hand, they conclude that the major obstacles for not implementing more sustainable measures are related to the costs of the equipment and the inconvenience of adapting infrastructures which are reflected in 33.3% of the respondents that indicated limited access to resources and high costs. On the other hand, the authors state that managers are motivated to contribute to this cause and to engage proactively which is also showed by the positive responses towards the future intention of becoming more sustainable establishments.

Regarding the online guest reviews, 68.8% of the respondents believe it to be extremely impactful, 25% very impactful and 6.3% slightly impactful. Considering that this was a 5-point scale answer, it is noticeable that nobody indicated that these reviews did not hold any value over the establishment. Additionally, when making the association between the score of the reviews and the number of new reservations, only 4 respondents (12.5%) considered that these metrics were not related.³⁹ These conclusions are not surprising given that on the Booking.com 10-point scale the average online scores of the sample is 8.96 and the minimum is 7. Ladhari and Michaud (2015) observed that positive online reviews generate more positive intentions of booking which may also reflect the respondents' opinion.

Moving to the analysis of revenues and costs, the majority of LEs mentioned that the most concerning expenses are associated with housekeeping, utilities, human capital and taxes. When asked about the information used in the analysis of these variables, most of the respondents indicated that both revenues (56.8%) and costs (58.7%) were compared to the previous year's real values. In the comparison of revenues, the budgeted and the competitors' values account for 18.2% each, while the comparison of costs with standard costs represents 17.4% and the

³⁹ Considering the extremely competitive scenario that LE are inserted in, it is natural the concern towards guest opinions and their analysis to continuously improve quality.

budgeted ones for the period 15.2%. In both cases, the percentage of respondents that do not do these comparisons are the lowest of 6.8% for revenues and 8.7% for costs.

These results contradict the literature review since Faria (2012) observed that 68% of the establishments compare actual outcomes with the original budgeted figures while in this research only a small percentage makes this comparison.

Regarding performance evaluation, LEs use more financial indicators and review the activity through profits and revenues to a higher extent (on a 5-point scale of usage, the median is 5 for both variables), followed by total costs and EBIT (medians of 4). On the operating perspective, the occupancy rate is the most used indicator with a median of 5, while average daily revenue of occupied rooms, gross operating profit and revenue per available room show a median of 3 and a minimum of 0, meaning that they are less used by the sample and not familiar to everyone. In addition, one establishment mentioned the use of the average length of stay when evaluating performance. In the future, 40% of the LEs are open to start analyzing operational performance and 53.3% say this is a possibility.

When comparing the extent of use of these metrics with the adoption of budgets, the majority of establishments that adopt budgets answered 'Always used' to all of them while the majority of establishments that do not adopt budgets answered 'Moderately used'.⁴⁰ These findings are in line with Casqueira et al. (2016), who also found that small independent hotels in Portugal have a low use of operational indicators, because managers are not acquainted with them, and Atkinson and Brown (2001) that concluded most small-medium sized hotels direct most of the attention to financial performance even if they recognize other performance dimensions. In this way, it is recommended that managers make a greater use of the industry specific indicators, considering that their analysis can be helpful when designing strategies to improve performance.

⁴⁰ The only exception was the sales indicator for which most of LEs answered 'Always used'. On the other hand, these discrepancies are even greater for the operational indicators when compared to financial ones.

Budgeting, the establishment characteristics and management profile (RQ5)

By studying the characteristics of LEs, there is a tendency for those who generate more revenue to adopt formal budgets (60%), while most of the LEs with lower incomes (66.7%) do not make use of it. Additionally, by looking at the intention of adopting budgets in the future, there is a tendency to answer 'Maybe' instead of 'No' as the level of sales increases. When analyzing the respondent's profile, those who adopt budgets tend to have a university degree (71.4%), while from the ones that do not use budgets only 50% have a university degree.

Even though these results contradict Bunce, Fraser, and Woodcock (1995) which observed that the use of budget is more common in companies with less monetary resources, they are in line with Ruiz and Collazzo (2021) who argued that the elaboration of more detailed plans depends on the skills of the manager. Therefore, educational background is an important variable that should be considered and can lead to the adoption of budgets and consequently higher levels of sales. With this in mind, the recommendation for managers is to invest in professional education or training, not necessarily in university degrees, be it in less expensive and more accessible sources of knowledge that can help start processes such as online budgeting, Excel sheets or smartphone apps.

7. Conclusion

The purpose of this Work Project was to explore the use of budgets in micro-Lodging Establishments from the Oporto region and discover further planning and control techniques used by their managers.

The findings show that in LEs, since the owners undertake the role of management and the resources, in particular human resources, are limited, there is a part of the sample that guides their business strategy in a more intuitive and improvised manner, instead of adopting planning and control techniques that are common in much larger organizations, like hotels. However, in a way this part of the industry does not differ significantly from the rest of the hospitality

industry, given that, when adopted, the most used technique by all of them is budgeting. Furthermore, the results obtained highlight the importance of professional training and knowledge in the decision to adopt budgets and to evaluate the performance of the business, as there was a tendency for LEs with higher sales and professional education levels to adopt budgets. Even though these establishments were small and unknown to the literature, they hold specificities that prove their value such as the use of simple and short-term tools for planning and control and the consequent interest in operational budgeting.

The limitations of this Work Project include the low response rate, the restriction to three cities in Oporto and the focus on the budgeting process and the characteristics of other planning and control techniques in LEs. Future research should extend to LEs located in other regions of the country, the span of control in smaller organizations, the extension of the activity to family businesses, and the issues of sustainability and seasonality in more detail.

Finally, this Work Project offers a description of a small part of the sector that is valuable to regulators and associations and, above all, provides the managers information about the use of budgeting and other planning and control techniques. Concluding, it is recommended that the Portuguese Tourism Board (*Turismo de Portugal*) regulates the lodging facilities that are being registered more strictly, considering that 52.7% of the initial sample of LEs was discarded due to misregistration and this entity, as well as the Local Lodging association ALEP, demonstrate the benefits of simple budgets and planning and control techniques to the less professional LE managers through initiatives like workshops or training sessions. To the managers, it is recommended they invest more in the adoption of simple and less sophisticated budgets and planning and control techniques, which are easily available in online platforms with the idea of improving the activity and creating more efficient and sustainable businesses, and that they acknowledge the importance of productivity and professional training.

References

- Alonso, Abel D., and Alfred Ogle. 2010. "Tourism and Hospitality Small and Medium Enterprises and Environmental Sustainability." *Management Research Review* 33 (8): 818–26. <https://doi.org/10.1108/01409171011065626>.
- ALPN. 2023. "Mais Habitação - Lei Nº 56/2023 (06 de Outubro)." ALPN - Associação Do Alojamento Local Do Porto E Norte. October 19, 2023. <https://alpn.webnode.pt/l/mais-habitacao-lei-no-56-2023-06-de-outubro/>.
- Araújo, Juliana, Umbelina Lagioia, Aldemar Santos, and Rodrigo Prazeres. 2016. "Management Practices in Micro and Small Enterprises: The Relationships between Practices Adopted and Funding." *Congresso USP: Controladoria e Contabilidade*. <https://congressousp.fipecafi.org/anais/16UspInternational/318.pdf>.
- Tohid Ardahaey, Fateme. 2011. "Economic Impacts of Tourism Industry." *International Journal of Business and Management* 6 (8): 206–15. <https://doi.org/10.5539/ijbm.v6n8p206>.
- Armitage, Howard M., Dorian Lane, and Alan Webb. 2020. "Budget Development and Use in Small- and Medium-Sized Enterprises: A Field Investigation." *Accounting Perspectives* 19 (3): 205–40. <https://doi.org/10.1111/1911-3838.12231>.
- Arroteia, Nuno, Luís Lima Santos, and Conceição Gomes. 2013. "The Relationship between the Management Accounting Techniques and the Decision Making in Portuguese Hotels." *6th International Tourism Conference*. <https://doi.org/10.13140/2.1.4806.3042>.
- Atkinson, Helen, and Jackie Brander Brown. 2001. "Rethinking Performance Measures: Assessing Progress in UK Hotels." *International Journal of Contemporary Hospitality Management* 13 (3): 128–36. <https://doi.org/10.1108/09596110110388918>.
- Banco de Portugal. 2023. "Análise Do Setor Do Turismo." October 10, 2023.

<https://Bpstat.bportugal.pt/Conteudos/Publicacoes/1312>.

Brinza, Catalina. 2022. "Prioritizing Our Planet: Make a Difference with These 4 Sustainable Hotel Practices." TrustYou. September 26, 2022.

<https://www.trusty.com/blog/trends-insights/make-a-difference-4-sustainable-hotel-practices>.

Bunce, Peter, Robin Fraser, and Lionel Woodcock. 1995. "Advanced Budgeting: A Journey to Advanced Management Systems." *Management Accounting Research* 6 (3): 253–65. <https://doi.org/10.1006/mare.1995.1017>.

Burns, John, Martin Quinn, Liz Warren, and João Oliveira. 2013. *Management Accounting*. McGraw-Hill Education.

Burgess, T.F., T.S. Ong, and N.E. Shaw. 2007. "Traditional or Contemporary? The Prevalence of Performance Measurement System Types." *International Journal of Productivity and Performance Management* 56 (7): 583–602. <https://doi.org/10.1108/17410400710823633>.

Cardos, Ildikó Réka. 2014. "New Trends in Budgeting – a Literature Review." *SEA - Practical Application of Science* 2 (2): 483–90.

Casqueira, Nuno, Conceição Gomes, Luis Lima Santos, Cátia Malheiros, and Raul Ribeiro Ferreira. 2016. "Performance Evaluation of Small Independent Hotels through Management Accounting Indicators and Ratios." In *A pathway for the new generation of tourism research: Proceedings of the EATSA Conference 2016*. Grácio Editor. <http://hdl.handle.net/10400.8/5806>.

Cooper, Sharp, Peter Rayson, Benjamin Botchway, and Ray McCafferty. 2005. "Performance Measurement in UK Textile & Clothing Manufacturing SMEs: Regaining the Initiative." In *Stimulating Manufacturing Excellence in SME's*. SMESME: UK.

Cruz, Inês. 2007. "How Might Hospitality Organizations Optimize Their Performance

- Measurement Systems?” *International Journal of Contemporary Hospitality Management* 19 (7): 574–88. <https://doi.org/10.1108/09596110710818310>.
- Erdin, Ceren, and Gokhan Ozkaya. 2020. “Contribution of Small and Medium Enterprises to Economic Development and Quality of Life in Turkey.” *Heliyon* 6 (2). <https://doi.org/10.1016/j.heliyon.2020.e03215>.
- European Commission. n.d. “SME Definition.” Accessed September 10, 2023. https://single-market-economy.ec.europa.eu/smes/sme-definition_en.
- European Commission. 2022. “Annual Report on European SMEs - SMEs and Environmental Sustainability Background Document.” <https://ec.europa.eu/docsroom/documents/50654/attachments/1/translations/en/renditions/native>.
- Faria, Ana Rita. 2012. “Sistemas de Contabilidade de Gestão No Setor Hoteleiro Do Algarve: Planeamento Ou Improvisação?” PhD thesis, Faculty of Economics of the University of the Algarve. <http://hdl.handle.net/10400.1/6747>.
- Fasesin, O. O., Ranti Ogunrinade, Ola T. Olalekan, and G. T. Ayo-Oyebiyi. 2023. “Budgetary Control and Financial Performance of Manufacturing SMEs in Osun State, Nigeria.” *International Journal of Business Innovation* 2 (3): e31531. <https://doi.org/10.34624/ijbi.v2i3.31531>.
- Franco, António Carvalho, Ricardo Fontes Correia, and João Carvalho Franco. 2018. “O Contributo dos Voos Low Cost na Expansão dos Hostels, na Cidade do Porto.” In *TMS ALGARVE 2018 – Tourism & Management Studies International Conference*. <https://bibliotecadigital.ipb.pt/bitstream/10198/20741/3/Anexo%2033.pdf>.
- Garengo, Patrizia, and Umit Bititci. 2007. “Towards a Contingency Approach to Performance Measurement: An Empirical Study in Scottish SMEs.” *International Journal of Operations & Production Management* 27 (8): 802–25.

- <https://doi.org/10.1108/01443570710763787>.
- Haktanir, Mine, and Peter Harris. 2005. "Performance Measurement Practice in an Independent Hotel Context." *International Journal of Contemporary Hospitality Management* 17 (1): 39–50. <https://doi.org/10.1108/09596110510577662>.
- Hänninen, Vili. 2013. "Budgeting at a Crossroads - the Viability of Traditional Budgeting - a Case Study." Master's thesis, School of Business of Aalto University. <http://urn.fi/URN:NBN:fi:aalto-201304041869>.
- Hansen, Stephen C., David T. Otley, and Wim A. Van der Stede. 2003. "Practice Developments in Budgeting: An Overview and Research Perspective." *Journal of Management Accounting Research* 15 (1): 95–116. <https://doi.org/10.2308/jmar.2003.15.1.95>.
- Hope, Jeremy, and Robin Fraser. 2003. "Who Needs Budgets?" *Harvard Business Review*, February, 2003. <https://hbr.org/2003/02/who-needs-budgets>.
- Jones, Tracy A. 2008. "Changes in Hotel Industry Budgetary Practice." *International Journal of Contemporary Hospitality Management* 20 (4): 428–44. <https://doi.org/10.1108/09596110810873534>.
- Ladhari, Riadh, and Mélissa Michaud. 2015. "EWOM Effects on Hotel Booking Intentions, Attitudes, Trust, and Website Perceptions." *International Journal of Hospitality Management* 46 (2015): 36–45. <https://doi.org/10.1016/j.ijhm.2015.01.010>.
- Lidia, Tănase Gabriela. 2014. "Difficulties of the Budgeting Process and Factors Leading to the Decision to Implement This Management Tool." *Procedia Economics and Finance* 15 (2014): 466–73. [https://doi.org/10.1016/s2212-5671\(14\)00484-5](https://doi.org/10.1016/s2212-5671(14)00484-5).
- Maduekwe, Caroline Chidinma, and Peter Kamala. 2016. "The Use of Budgets by Small and Medium Enterprises in Cape Metropolis, South Africa." *Problems and Perspectives in Management* 14 (1): 183–91. [https://doi.org/10.21511/ppm.14\(1-1\).2016.06](https://doi.org/10.21511/ppm.14(1-1).2016.06).

- Melia, Detta, and Leight Robinson. 2010. “Towards Performance Measurement in Hotels: An Incremental Approach.” In *Contemporary Issues in Irish and Global Tourism and Hospitality*.
- Mendonça, Abel de Barbosa. 2023. “Legislar O Alojamento Local: A Moda Que Veio Para Ficar.” *Jornal de Negócios*. November 9, 2023.
<https://www.jornaldenegocios.pt/opiniao/detalhe/legislar-o-alojamento-local-a-moda-que-veio-para-ficar>.
- Mohn, Tanya. 2016. “Hostels Are More Popular than Ever among Travel-Leaning Millennials.” *Forbes*. 2016. <https://www.forbes.com/sites/tanyamohn/2016/05/16/a-hostel-revolution-fueled-by-young-travelers/?sh=6013f3196bb4>.
- Morris, Glynis D, Sonia McKay, and Andrea Oates. 2009. “Management Accounting.” *Finance Director’s Handbook*, 765–78. <https://doi.org/10.1016/b978-0-7506-8701-0.00019-9>.
- Neely, Andy, Michael R. Sutcliffe, and Herman R. Heyns. 2001. “Driving Value through Strategic Planning and Budgeting.” Cranfield: Accenture.
- Neely, Andy, Mike Bourne, and Chris Adams. 2003. “Better Budgeting or Beyond Budgeting?” *Measuring Business Excellence* 7 (3): 22–28.
<https://doi.org/10.1108/13683040310496471>.
- Nova SBE. 2023. “Estudo de Impacto do Alojamento Local em Portugal: Análise Preliminar dos Resultados do Inquérito e dos Impactos no Emprego.” ALEP.
https://d1aettbyeyfilo.cloudfront.net/alep/14283344698Aloj_Local_NSBE_27062023.pdf?kuid=4f31ca0f-61eb-44a7-be17-5b9ec513da28&kref=6TL0F9As2RXc.
- OECD. 2017. “Small Businesses, Job Creation and Growth: Facts, Obstacles and Best Practices.” <https://www.oecd.org/cfe/smes/2090740.pdf>.
- Pordata. 2023. “Pequenas e Médias Empresas: Total e por Setor de Atividade Económica.”

- <https://www.pordata.pt/portugal/pequenas+e+medias+empresas+total+e+por+setor+de+atividade+economica-2928-246771>.
- Porter, Michael E. 1979. “How Competitive Forces Shape Strategy.” *Harvard Business Review* 57 (2): 137–45. <https://hbr.org/1979/03/how-competitive-forces-shape-strategy>.
- Porto. 2020. “Portugal Is Best European Destination for the 4th Year Running and Porto Is World’s Leading City Break 2020.” November 2, 2020. <https://www.porto.pt/en/news/portugal-is-best-european-destination-and-porto-is-worlds-leading-city-break-destination-2020-for-the-4th-year-running>.
- . 2022. “Porto Elected the Europe’s Leading City Destination 2022.” October 4, 2022. <https://www.porto.pt/en/news/porto-elected-the-europes-leading-city-destination-2022>.
- . 2023. “Alojamento Turístico no Porto Regista Mais de 1,5 Milhões de Dormidas nos Quatro Primeiros Meses do Ano.” June 21, 2023. <https://www.porto.pt/pt/noticia/alojamento-turistico-no-porto-regista-mais-de-15-milhoes-de-dormidas-nos-quatro-primeiros-meses-do-ano>.
- Prien, Malte Christian Carl. 2021. “Budgeting Practices in Small and Medium Sized Hotels in Germany: What Did the COVID-19 Pandemic Change?” Master’s thesis, NOVA School of Business and Economics.
- Radović, Nikica, and Tijana Radojević. 2014. “Operational Budgeting in Hospitality.” In *FINIZ 2014 - The Role of Financial Reporting in Corporate Governance, Belgrade, 2014, 43-44*. <https://doi.org/10.15308/finiz-2014-43-44>.
- Richards, Greg, and Lénia Marques. 2019. *Overtourism in Lisbon: Is Culture the Salvation?*. https://www.researchgate.net/publication/332111673_Overtourism_in_Lisbon_is_culture_the_salvation.

- Rivaud-Danset, Dorothe, Emmanuelle Dubocage, and Robert Salais. 1998. "Comparison between the Financial Structure of SME versus Large Enterprise Using the BACH Data Base." <https://doi.org/10.2139/ssrn.141478>.
- Ruiz, Tonatiuh N., and Pablo Collazzo. 2021. "Management Accounting Use in Micro and Small Enterprises." *Qualitative Research in Accounting & Management* 18 (1): 84–101. <https://doi.org/10.1108/qram-02-2020-0014>.
- Sakshi, Shashi, Roberto Cerchione, and Harbhajan Bansal. 2019. "Measuring the Impact of Sustainability Policy and Practices in Tourism and Hospitality Industry." *Business Strategy and the Environment* 29 (3). <https://doi.org/10.1002/bse.2420>.
- Santos, Miguel. 2023. "A História e os Números da Associação de Hostels de Portugal." PROAL. April 20, 2023. <https://www.proal.pt/2023/04/20/a-historia-e-os-numeros-da-associacao-de-hostels-de-portugal/>.
- Schmidgall, Raymond S. 1995. *Hospitality Industry Managerial Accounting*. East Lansing, MI: The Educational Institute of the American Hotel and Motel Association.
- Schmidgall, Raymond S., and Agnes DeFranco. 1998. "Budgeting and Forecasting." *Cornell Hotel and Restaurant Administration Quarterly* 39 (6): 45–51. <https://doi.org/10.1177/001088049803900609>.
- Schmidgall, Raymond S., and Agnes DeFranco. 2015. "Uniform System of Accounts for the Lodging Industry, 11th Revised Edition: The New Guidelines for the Lodging Industry." *The Journal of Hospitality Financial Management* 23 (1): 79–89. <https://doi.org/10.1080/10913211.2015.1038196>.
- Sekaran, Uma, and Roger Bougie. 2016. *Research Methods for Business: A Skill-Building Approach*. 7th ed. Chichester, West Sussex, United Kingdom: John Wiley & Sons.
- Smith, Julia A. 2007. *Handbook of Management Accounting*. 4th ed. London: CIMA/ Gee (Thomson).

- Stange, Sebastian, Bjarte Bogsnes, and Hardik Sheth. 2021. "Going Beyond Budgeting." BCG. September 13, 2021. <https://www.bcg.com/publications/2021/the-future-is-beyond-budgeting>.
- Tomé, André. 2023. "Hostels: Procura E Oferta Em Portugal | 2022." TravelBI by Turismo de Portugal. August 23, 2023. <https://travelbi.turismodeportugal.pt/alojamento/hostels-procura-e-oferta-em-portugal-2022/>.
- Turismo de Portugal. 2021. "Alojamento Local - Regime Jurídico." 2021. <https://business.turismodeportugal.pt/SiteCollectionDocuments/alojamento-local/guia-alojamento-local-fevereiro-2021-compactado.pdf>.
- . 2022. "PME Excelência 2021: 465 Empresas do Turismo Distinguidas." Turismo de Portugal Business. December 14, 2022. <https://business.turismodeportugal.pt/pt/noticias/Paginas/empresas-turismo-estatuto-pme-excelencia-2021.aspx>.
- . 2023. "Empresas de Turismo Com Estatuto PME Líder 2022." Turismo de Portugal Business. May 5, 2023. <https://business.turismodeportugal.pt/pt/Gerir/reconhecimento-externo/pme-lider/Paginas/empresas-de-turismo-com-estatuto-pme-lider-2022.aspx>.
- Warren, Hope. 2023. "15 of the Best Hostels in Europe for Your next Big Adventure." Hostelworld. June 7, 2023. <https://www.hostelworld.com/blog/best-hostels-in-europe/>.
- WTTC. 2023a. "Portuguese Travel & Tourism Sector Set to Reach Record-Breaking High This Year, Says WTTC." World Travel & Tourism Council. July 17, 2023. <https://wttc.org/news-article/portuguese-travel-and-tourism-sector-set-to-reach-record-breaking-high-this-year>.
- . 2023b. "Economic Impact Research." World Travel & Tourism Council. Accessed September 15, 2023. <https://wttc.org/research/economic-impact>.

List of Appendices

Appendix 1: List of abbreviations	35
Appendix 2: Characterization of Local Lodging and presence in the city of Oporto.....	35
Appendix 3: Legal framework	36
Appendix 4: Literature review	37
Appendix 5: Research model and variables	39
Appendix 6: Questionnaire sent to the Lodging Establishments.....	40
Appendix 7: Sample	47
Appendix 8: Respondent's profile.....	47
Appendix 9: Characteristics of the establishment	48
Appendix 10: Industry characteristics	49
Appendix 11: Results of the adoption of budgets (RQ1)	50
Appendix 12: Results of the description of the budgetary process (RQ2)	51
Appendix 13: Results of budget approach (RQ3)	53
Appendix 14: Results of the other planning and control techniques adopted by LEs (RQ4).....	53
Appendix 14.a: Planning and control techniques	53
Appendix 14.b: Planning based on sustainability measures.....	54
Appendix 14.c: Planning based on online guest reviews	55
Appendix 14.d: Performance evaluation	56
Appendix 15: Results of budgeting, the establishment characteristics and management profile (RQ5).....	58

Appendix 1: List of abbreviations

ALEP	Associação do Alojamento Local em Portugal
BBA	Better Budgeting Alternatives
LE	Lodging Establishment
LL	Local Lodging
PCT	Planning and Control Techniques
PV	Póvoa de Varzim
RevPAR	Revenue Per Available Room
RNAL	Registo Nacional de Alojamento Local
USALI	Uniform System of Accounts for the Lodging Industry
VC	Vila do Conde

Appendix 2: Characterization of Local Lodging and presence in the city of Oporto

According to the Portuguese Tourism Board (*Turismo de Portugal*) “Local Lodging (LL) are those establishments that provide temporary accommodation services, particularly to tourists, for remuneration as long as they do not meet the requirements to be considered tourist enterprises”.

These establishments are divided in four groups (Turismo de Portugal, 2021):

1. Lodging Establishments (LE): the accommodation units are made up of rooms, integrated into an autonomous fraction of a building, an urban building or a part of an urban building capable of independent use.
 - a. Hostel: a LE as this designation if the predominant accommodation unit is a dormitory, that is, when the number of users is greater than the number of users in the room; besides that, they have to comply with remaining requirements such as minimum room areas and having a common shared space for guests.
2. Apartments: the accommodation units are made up of an autonomous fraction of a building or a part of an urban building capable of independent use.
3. Villas: the accommodation units are made up of an autonomous building, of single-family character
4. Rooms: the activity of LL is carried out at the holder's residence (corresponding to their tax residence) when the accommodation unit is a bedroom and there are no more than three units.

In the city of Oporto there are until this date 650 Lodging Establishments and 169 Hotels registered in the National Register of Tourism. The fact that LE are 3.8 times more than Hotels brings us to the importance of studying these companies.

This information can be accessed at https://rnt.turismodeportugal.pt/RNT/Pesquisa_AL.aspx

Appendix 3: Legal framework

Authors	Country	Title and subject
<i>Assembleia Nacional, Diário da República</i>	Portugal	Decree-Law No. 56/2023, of 6th October Amendments made to LL regarding the Programme ‘Mais Habitação’
<i>Assembleia Nacional, Diário da República</i>	Portugal	Decree-Law No. 62/2018, of 22nd August Local Lodging description that mentions the requisites for Hostels
European Commission	EU	EU recommendation 2003/361, of 6 th May States the definition of micro, small and medium-sized enterprises
European Commission	EU	Delegated Directive C(2023)7020 amending Directive 2013/34/EU Adjusting SME size criteria for inflation

Appendix 4: Literature review

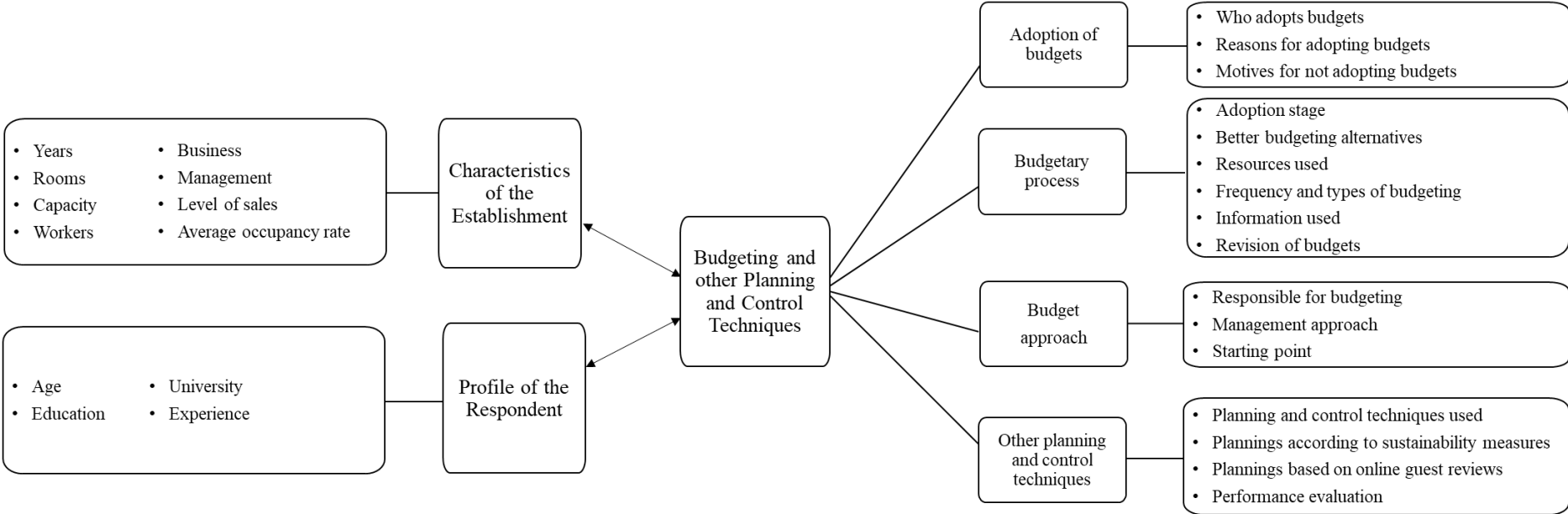
Authors	Country	Object of study	Research	Methodology	Sample
Alonso and Ogle (2010)	Australia	Environmental sustainability	Empirical	Semi-structured interviews	10 hospitality operators
Armitage, Lane, and Webb (2020)	Canada	Budgeting practices	Empirical	Interviews	Mid-sized metropolitan companies
Arroteia, Lima Santos, and Gomes (2013)	Portugal	Management accounting techniques	Empirical	Questionnaire and interviews	Hotels, apartment-hotels and hostels
Atkinson and Brown (2001)	United Kingdom	Performance evaluation	Empirical	Questionnaire and interviews	18 hotels
Bunce, Fraser, and Woodcock (1995)	United Kingdom	Advanced budgeting	Empirical	Questionnaire and Personal interviews	Lloyds Bank Registrars, IBM Havant, Unipart Demand Chain Management, Hewlett-Packard South Queensferry
Burgess, Ong, and Shaw (2007)	Malaysia	Performance evaluation	Empirical	Questionnaire	149 electrical and electronic firms
Cardoş (2014)	Romania	Budgeting practices	Normative		
Casqueira et al. (2016)	Portugal	Performance evaluation	Empirical	Questionnaire	Small independent hotels
Cooper et al. (2005)	United Kingdom	Performance evaluation	Empirical	Case study and interviews	10 manufacturing SMEs
Cruz (2007)	Portugal	Performance evaluation	Empirical	Case study	International hotel chain with 30 hotels
Faria (2012)	Portugal	Management accounting techniques	Empirical	Questionnaire and Personal interviews	Four and five star hotels
Fasesin et al. (2023)	Nigeria	Budgeting practices	Empirical	Questionnaire	250 manufacturing SMEs
Garengo and Bititci (2007)	Scotland	Performance evaluation	Empirical	Interviews and case study	4 SMEs

(to be continued)

Appendix 4: Literature review *(continued)*

Authors	Country	Object of study	Research	Methodology	Sample
Haktanir and Harris (2005)	Cyprus	Performance evaluation	Empirical	Interviews, documentation collection and observation	392-room five-star resort hotel
Hansen, Otley, and Van der Stede (2003)	United States	Budgeting practices	Normative		
Hope and Fraser (2003)	United Kingdom	Budgeting practices	Normative		
Jones (2008)	United Kingdom	Budgeting practices	Empirical	Questionnaire	31 hotels
Ladhari and Michaud (2015)	Canada	Online reviews	Empirical	Questionnaire	800 university students
Lidia (2014)	Romania	Budgeting practices	Empirical	Questionnaire	Business and academic environment
Maduekwe and Kamala (2016)	South Africa	Budgeting practices	Empirical	Questionnaire	92 SMEs from Fast Moving Consumer Goods Sector
Melia and Robinson (2010)	Ireland	Performance measurement	Empirical	Questionnaire, Focus group and Personal interviews	Small-medium sized independent hotels
Neely, Bourne, and Adams (2003)	United Kingdom	Planning and budgeting practices	Empirical	Interviews and literature revision	15 companies from different industries
Neely, Sutcliffe, and Heyns (2001)	United Kingdom	Planning and budgeting practices	Empirical	Interviews, discussions and literature revision	40 companies from different industries
Prien (2021)	Germany	Budgeting practices	Empirical	Questionnaire	Small and medium-sized hotel chain
Radović and Radojević (2014)	Serbia	Budgeting practices	Normative		
Ruiz and Collazzo (2021)	Mexico	Management accounting techniques	Empirical	Interviews	36 micro and small firms
Sakshi et al. (2019)	India	Environmental sustainability	Empirical	Questionnaire	312 hospitality managers
Schmidgall & DeFranco (1998)	United States	Budgeting practices	Empirical	Questionnaire	Lodging organizations
Schmidgall (1995)	United States	Management accounting techniques	Normative		

Appendix 5: Research model and variables



Appendix 6: Questionnaire sent to the Lodging Establishments

1. Characteristics of the Establishment

1.1. Name

1.2. In what city is your establishment located?

Oporto

Póvoa de Varzim

Vila do Conde

1.3. How many years ago did you start this business?

1.4. Operation type

Own

Lease

Management contract

Franchise

1.5. Management

Independent

National chain

International chain

Other

1.6. Number of rooms

1.7. Capacity (number of guests)

1.8. Number of employees

1.8.1. How many are responsible for management or are part of the decision-making process?

1.8.2. How many additional workers are in part-time contracts?

1.8.3. How many additional workers are hired in the high season?

If applicable, for previous year

1.9. Volume of sales

<20 000€

20 000€ – 50 000€

50 000€ – 100 000€

> 100 000€

1.10. Occupancy annual rate

<50%

50%-70%

70%-80%

80%-90%

>90%

(to be continued)

Appendix 6: Questionnaire sent to the Lodging Establishments
(continued)

1.11. Does this rate change during the year?

Yes

No

2. Industry

2.1. How do you classify the lodging environment in your city? (1 not at all intense - 5 extremely intense)

a. Threat of new entrants (considering how difficult it is for a new business to enter the industry)	1	2	3	4	5
b. Threat of substitute services (other types of facilities)	1	2	3	4	5
c. Bargaining power of suppliers	1	2	3	4	5
d. Bargaining power of buyers	1	2	3	4	5
e. Competitive rivalry	1	2	3	4	5
f. Seasonality	1	2	3	4	5
g. Municipality touristic tax	1	2	3	4	5

2.2. To what extent are the prices of your establishment influenced by the market?

1 (not at all influenced) 2 3 4 5 (extremely influenced)

3. Budgeting Process

Does your establishment develop budgets?

Yes

No

If yes

3.1. What type of budgets/planning does it elaborate?

Cash budget

Budget/planning of sustainability goals

Techniques to support the decision process based on guest reviews

Other

3.2. How frequently?

	Never	Daily	Weekly	Monthly	Quarterly	Semi- annually	Annually	No fixed frequency
Sales	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Profits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cash	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Others (specify)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3.3. What are the costs that your establishment considers most concerning or riskier?

3.4. Which control support techniques of sales does your establishment utilize?

(to be continued)

Appendix 6: Questionnaire sent to the Lodging Establishments
(continued)

3.5. What time span does the budget cover?

- Monthly
- Quarterly
- Semi-annual
- Annually
- Long term

If long term, for which period?

- a. 3 years
- b. 5 or more years
- c. Other (specify)

3.6. What resources are used to support the budgeting process?

- Nothing
- Excel
- USALI
- Another accounting software
- Other

3.7. When did you start using budgets?

- Since the opening of the business
- Sometime after the opening
- Recently
- Other

3.8. To what extent are the following factors important for your budget?
(1 negligible - 5 extremely important)

a. Budgets assist the planning and coordination of the activity	1	2	3	4	5
b. Budgets have an important role in establishing authority and responsibility	1	2	3	4	5
c. Budgets help in the achievement of an effective control and of the stated targets	1	2	3	4	5
d. Budgets contribute to employee motivation, being a reference in performance evaluation	1	2	3	4	5
e. Budgets contribute to an effective resource management and to performance improvement	1	2	3	4	5
f. Budgets help to detect deficiencies and to take corrective measures	1	2	3	4	5
g. Others (specify)	1	2	3	4	5

3.9. To what extent is the following information used in setting budgets?
(1 not used at all - 5 used to a great extent)

a. Previous years actual figures	1	2	3	4	5
b. Previous years budgeted figures	1	2	3	4	5
c. In-house market analysis	1	2	3	4	5
d. Local, national and international economic indicators	1	2	3	4	5
e. Industry statistics	1	2	3	4	5
f. Local or near events	1	2	3	4	5
g. Others (specify)	1	2	3	4	5

(to be continued)

Appendix 6: Questionnaire sent to the Lodging Establishments
(continued)

4. Budgeting Approach

4.1. What is the approach for budget preparation?

- a. Top-down
- b. Bottom-up
- c. Combination of both
- d. Other (specify)

4.2. Who elaborates the budgets?

- a. Manager of the establishment
- b. Owner of the establishment
- c. External entity to the establishment

4.3. How far in advance does the budgetary process start?

- a. >6months
- b. 3 to 6 months
- c. 1 to 3 months
- d. Already in the period

4.4. Does the establishment elaborate any of the following techniques?

- a. Zero-based budget
- b. Flexible budget
- c. Activity-Based Budget
- d. I'm not familiar with any of these techniques

5. Budget Revision

Does the establishment revise budgets within the budgetary period?

Yes No

If yes

5.1. How often?

- a. Monthly
- b. Quarterly
- c. Semi-annually
- d. When necessary

6. No Budget

6.1. Why are you not planning budgets?

- a. Budgets are difficult to prepare
- b. Budgets imply high cost, high volume of work and a lot of preparation time
- c. The communication, coordination and cooperation necessary to prepare budgets is difficult to obtain
- d. Budgets are very easy to manipulate
- e. Budget preparation can be biased or have the tendency to overstate costs and understate revenues
- f. Budgets limit the flexibility and the entity's ability to adapt to the environment
- g. Others (specify)

(to be continued)

Appendix 6: Questionnaire sent to the Lodging Establishments
(continued)

6.2. Would you say it is possible your establishment starts to elaborate budgets in the future?

Yes

No

Maybe

6.3. Are there any other control/planning techniques in your establishment?

Budget/planning of sustainability goals

Techniques to support the decision process based on guest reviews

Other

The establishment doesn't elaborate more techniques

7. Sustainability

7.1. If your establishment elaborates plans based on sustainable objectives, what are the main concerns?

- a. Water conservation
- b. Pollution from washing and cleaning products
- c. Waste management
- d. Energy conservation
- e. Green procurement (buying eco-labelled /organic/ recycled products)
- f. Staff awareness and skills on sustainable approaches
- g. Others (please specify)

7.2. If your establishment doesn't elaborate plans based on sustainable objectives, what are the reasons?

- a. Short-term profit focus
- b. Lack of regulatory pressure
- c. Perceived high costs
- d. Limited consumer demand
- e. Lack of awareness on the subject
- f. Lack of education on the subject
- g. Complexity or uncertainty
- h. Limited access to resources

7.3. Do you plan to adopt more sustainable practices in your establishment in the future?

Yes

No

Maybe

8. Planning based on guest reviews

8.1. To what extent are the guests' online reviews, comments or recommendations impactful in your business' performance?

1 (not impactful at all) 2 3 4 5 (extremely impactful)

8.2. Do you notice any correlation between positive/negative online reviews and an increase/decrease in bookings?

Yes

No

(to be continued)

Appendix 6: Questionnaire sent to the Lodging Establishments
(continued)

9. Performance Evaluation

9.1. To what factors are compared the revenues of the period?

- Real values from the previous period
- Budgeted values from the previous period
- Revised budgeted values
- Competitors' values
- The establishment doesn't compare these values
- Other

9.2. To what factors are compared the costs of the period?

- Real values from the previous period
- Budgeted values from the previous period
- Revised budgeted values
- Standard costs
- The establishment doesn't compare these values
- Other

9.3. To what extent is performance measurement done with financial indicators? (1 not used at all 5 used to a great extent)

a. Revenues	1	2	3	4	5
b. Profits	1	2	3	4	5
c. EBIT	1	2	3	4	5
d. Total Costs	1	2	3	4	5
e. Others (specify)	1	2	3	4	5

9.4. To what extent is performance measurement done with operational indicators from the industry? (1 not used at all 5 used to a great extent)

a. Occupancy Rate	Not familiar	1	2	3	4	5
b. Average Daily Rate	Not familiar	1	2	3	4	5
c. Gross Operating Profit	Not familiar	1	2	3	4	5
d. Revenue per Available Room/Bed	Not familiar	1	2	3	4	5
e. Others (specify)	Not familiar	1	2	3	4	5

9.5. If the establishment doesn't utilize any of the operational indicators, would you say it is possible that they will be used in the future?

- Yes
- No
- Maybe

(to be continued)

Appendix 6: Questionnaire sent to the Lodging Establishments
(continued)

10. Profile of the respondent

10.1. Age

- <30
- 30-50
- >50

10.2. Education level

- Middle school
- High school
- University

If you have a university degree, what was your specialization?

- Hospitality management
- Management
- Other

10.3. Previous experience

- Hotel
- Management
- Other

10.4. Number of years in the hospitality industry

10.5. Do you currently work in more than one lodging establishment?

- Yes
- No

Appendix 7: Sample

	Oporto	Coast	Total
Initial Sample	638	81	719
Criteria to exclude companies			
Other facilities registered as LE	345	34	379
No online guest review	71	15	86
Did not answer phone calls	35	5	40
Final Sample	187	27	214

Appendix 8: Respondent's profile

Table 1 – Respondent's profile

Respondents	Frequency (N)	Percentage of sample (%)
Age		
< 30	4	12.5
30 - 50	27	84.4
> 50	1	3.1
Education		
High School	13	40.6
University	19	59.4
University		
No University	12	37.5
Management	8	25.0
Tourism	2	6.3
Other	10	31.3
Experience		
Management	9	28.1
Hospitality	7	21.9
Other	16	50.0
Work in more than one LE		
Yes	16	50
No	16	50

Table 2 - Number of years the respondents have been working in the hospitality industry

N	Minimum	Maximum	Average	Standard Deviation
31	.0	19.0	6.823	4.8176

Appendix 9: Characteristics of the establishment

Table 3 - Establishments by city

	Not Hostel	Hostel	Total
Oporto	9	8	17
Coast	11	4	15
Total	20	12	32

Table 4 – Characteristics of the establishment

Characteristics	Frequencies
Business	Own: 26 (81.3%)
	Lease: 6 (18.8%)
Management	Independent: 31 (96.9%)
	National Chain: 1 (3.1%)
Workers	Part-time: 24 (75%)
	Seasonality: 11 (34.4%)
Sales	< 20 000: 6 (22.2%)
	20 000 - 50 000: 6 (22.2%)
	50 000 - 100 000: 2 (7.4%)
	> 100 000: 13 (48.1%)
Average occupancy rate	< 50%: 4 (13.8%)
	50% - 70%: 6 (20.7%)
	70 - 80%: 6 (20.7%)
	80% - 90%: 11 (37.9%)
	> 90%: 2 (6.9%)

Table 5 – Description of the Establishment

	Years	Rooms	Capacity	Workers	Management Workers	Part-time Workers	Seasonality Workers
N	31	32	31	32	32	32	32
Average	7,31	8,94	23,97	4,72	1,75	1,88	0,63
Median	5,00	5,50	14,00	2,00	1,00	1,00	0,00
Mode	5	5	10	2	1	1	0
Standard Deviation	7,20	13,11	29,78	7,32	1,14	2,41	1,13
Minimum	1	1	4	1	1	0	0
Maximum	31	78	156	40	6	12	4

Table 6 - Characteristics of the average occupancy rate of the establishments

N	Average	Median	Mode	Standard Error	Minimum	Maximum
29	3.03	3.00	4	1.210	1	5

Table 7 - Average occupancy rate by city

	< 50%	50% - 70%	70 - 80%	80% - 90%	> 90%	Total
Oporto	0	0	4	10	1	15
Coast	4	6	2	1	1	14
Total	4	6	6	11	2	29

Table 8 – Level of sales by city

	<20k	20k - 50k	50k - 100k	> 100k	Total
Oporto	2	1	1	10	14
Coast	4	5	1	3	13
Total	6	6	2	13	27

Appendix 10: Industry characteristics

Table 9 - Price market influence of the industry

	Not at all influenced	Slightly influenced	Moderately influenced	Very influenced	Extremely influenced	Total
Oporto	0	0	2	6	9	17
Coast	1	2	2	5	5	15
N	1	2	4	11	14	32
%	3.1	6.3	12.5	34.4	43.8	100

Table 10 - Context of the industry

	Threat of new entrants	Threat of substitute services	Bargaining power of suppliers	Bargaining power of buyers	Competitive rivalry	Seasonality	Municipality touristic tax
Oporto							
Average		3.29	3.41	2.82	2.94	3.29	3.18
N		17	17	17	17	17	17
Standard Deviation		.772	1.064	.883	1.298	1.047	1.131
Coast							
Average		3.73	3.47	3.07	3.27	3.60	4.07
N		15,00	15,00	15,00	15,00	15,00	15,00
Standard Deviation		1.438	1.356	1.486	1.163	1.352	1.100
Total							
Average		3.50	3.44	2.94	3.09	3.44	3.59
N		32,00	32,00	32,00	32,00	32,00	32,00
Minimum		1,00	1,00	1,00	1,00	1,00	1,00
Maximum		5,00	5,00	5,00	5,00	5,00	5,00
Standard Deviation		1.136	1.190	1.190	1.228	1.190	1.188

Scale: 1 not at all intense - 5 extremely intense

Appendix 11: Results of the adoption of budgets (RQ1)

Table 11 - Budget adoption

	Yes	No	Total
Oporto	7	10	17
Coast	7	8	15
Total	14	18	32
%	44	56	100

Table 12 – Advantages of adopting budgets

	N	Minimum	Maximum	Average	Standard Deviation
Planning and coordination	14	4	5	4.86	.363
Effective control and achievement of targets	14	4	5	4.64	.497
Effective resource management	14	2	5	4.57	.852
Detect deficiencies	14	1	5	4.43	1.158
Employee motivation	14	3	5	4.07	.829
Authority and responsibility	14	1	5	3.93	1.207

Scale: 1 negligible - 5 extremely important

Table 13 - Advantages of adopting budgets by city

	Oporto				Coast				Total			
	Mean	N	Std Dev	Median	Mean	N	Std Dev	Median	Mean	N	Std Dev	Median
Planning and coordination	4.71	7	0.488	5	5	7	0	5	4.86	14	0.363	5
Effective control and achievement of targets	4.43	7	0.535	4	4.86	7	0.378	5	4.64	14	0.497	5
Effective resource management	4.29	7	1.113	5	4.86	7	0.378	5	4.57	14	0.852	5
Detect deficiencies	3.86	7	1.464	4	5	7	0	5	4.43	14	1.158	5
Employee motivation	3.86	7	0.69	4	4.29	7	0.951	5	4.07	14	0.829	4
Authority and responsibility	3.43	7	1.272	4	4.43	7	0.976	5	3.93	14	1.207	4
Total	4.71	7	0.488	5	5	7	0	5	4.86	14	0.363	5

Scale: 1 negligible - 5 extremely important

Table 14 - Reasons for not adopting budgets

	N	%
Budget preparation can be biased or have the tendency to overstate costs and understate revenues	6	27.3%
Budgets limit the flexibility and the entity's ability to adapt to the environment	5	22.7%
The communication, coordination and cooperation necessary to prepare budgets is difficult to obtain	3	13.6%
Budgets are very easy to manipulate	3	13.6%
Budgets imply high cost, high volume of work and a lot of preparation time	2	9.1%
Budgets are difficult to prepare	1	4.5%
Others	2	9.1%
Total	22	100%

Table 15 - Reasons for not adopting budgets by city

	Oporto				Coast				Total			
	Mean	N	Std Dev	Median	Mean	N	Std Dev	Median	Mean	N	Std Dev	Median
Budget preparation can be biased or have the tendency to overstate costs and understate revenues	0.57	7	0.535	1	0.25	8	0.463	0	0.4	15	0.507	0
Budgets limit the flexibility and the entity's ability to adapt to the environment	0.29	7	0.488	0	0.38	8	0.518	0	0.33	15	0.488	0
The communication, coordination and cooperation necessary to prepare budgets is difficult to obtain	0.14	7	0.378	0	0.25	8	0.463	0	0.2	15	0.414	0
Budgets are very easy to manipulate	0	7	0	0	0.38	8	0.518	0	0.2	15	0.414	0
Budgets imply high cost, high volume of work and a lot of preparation time	0	7	0	0	0.25	8	0.463	0	0.13	15	0.352	0
Budgets are difficult to prepare	0.14	7	0.378	0	0	8	0	0	0.07	15	0.258	0
Total	0.14	7	0.378	0	0	8	0	0	0.07	15	0.258	0

Scale: 1 negligible - 5 extremely important

Table 16 - Intention of using budgeting in the future

	Yes	No	Maybe	Total
N	1	3	14	18
%	5.6	16.7	77.8	100.0

Appendix 12: Results of the description of the budgetary process (RQ2)

Table 17 - Adoption stage

	Since the opening	Sometime after the opening	Recently	Total
N	10	3	1	14
%	71.4	21.4	7.1	100.0

Table 18 - Better Budgeting Alternatives used

	Zero Based Budget	Activity Based Budget	Flexible Budget	Not Familiar	Total
N	2	5	6	6	19
%	10.5%	26.3%	31.6%	31.6%	100.0%

Table 19 - Resources used for budgeting

	Excel	Another Software	Total
N	12	7	19
%	63.2%	36.8%	100.0%

Table 20 – Frequency and types of budgets

	Costs	Profit	Sales	Cash
N	14	14	14	14
Average	4.31	3.93	3.79	3.64
Median	4.00	4.00	4.00	4.00
Mode	4	4	2	4
Standard Deviation	1.702	1.385	1.672	1.082
Minimum	2	2	2	2
Maximum	8	6	8	5

Scale: 1-Never, 2-Daily, 3-Weekly, 4-Monthly, 5-Quarterly, 6-Semi-annually, 7-Annually, 8-No fixed frequency

Table 21 - Budgeting period

	Monthly	Quarterly	Semiannually	Annually	Long-term (3 years)	Total
N	6	2	2	4	2	16
%	37.5%	12.5%	12.5%	25.0%	12.5%	100.0%

Table 22 - Information used in budgeting

	N	Mean	Median	Mode	Std Dev	Min	Max
Previous years actual figures	14	4.64	5	5	0.633	3	5
Previous years budgeted figures	14	4,00	5	5	1.301	2	5
In-house market analysis	14	4.14	4.5	5	0.949	3	5
Local, national and international economic indicators	14	4.5	5	5	0.855	3	5
Industry statistics	14	3.79	3.5	5	1.188	2	5
Local or near events	14	4	4.5	5	1.177	2	5

Scale: 1 not used at all - 5 used to a great extent

Table 23 – Revision of budget

	Monthly	Quarterly	Semi-annually	When necessary	Total
N	7	1	1	4	13
%	53.8	7.7	7.7	30.8	100.0

Appendix 13: Results of budget approach (RQ3)

Table 24 – Responsible for budgeting

	Manager	Owner	External	Total
N	10	2	2	14
%	71.4	14.3	14.3	100.0

Table 25 – Management approach

	Top-down	Bottom-up	Combination of both	Other or not known	Total
N	2	3	7	2	14
%	14.3	21.4	50.0	14.3	100.0

Table 26 – Starting point of budgeting

	>6 months	3-6 months	1-3 months	Already in the period	Total
N	1	2	8	3	14
%	7.1	14.3	57.1	21.4	100.0

Appendix 14: Results of the other planning and control techniques adopted by LEs (RQ4)

Appendix 14.a: Planning and control techniques

Table 27 – Planning and control techniques besides budget

	N	%
Financial budgets	11	36.7%
Budget/planning of sustainability goals	11	36.7%
Techniques to support the decision process based on guest reviews	8	26.7%
Total	30	100.0%

Table 28 - Planning and control techniques besides budget according to city

	Oporto	Coast	Total
Financial budgets	6	5	11
Budget/planning of sustainability goals	7	4	11
Techniques to support the decision process based on guest reviews	6	2	8
Total	10	6	16

Table 29 - Planning and control techniques besides budget according to level of sales (in euros)

	< 50 000	> 50 000	Total
Financial budgets	2	9	11
Budget/planning of sustainability goals	3	8	11
Techniques to support the decision process based on guest reviews	1	7	8
Total	4	12	16

Table 30 - Planning and control techniques if the establishment does not elaborate budget

	N	%
Budget/planning of sustainability goals	7	46.7%
Techniques to support the decision process based on guest reviews	4	26.7%
The establishment doesn't elaborate more techniques	4	26.7%
Total	15	100.0%

Appendix 14.b: Planning based on sustainability measures

Table 31 - Sustainability concerns

	Oporto	Coast	N	%
Waste management	13	9	22	21.8%
Energy conservation	12	9	21	20.8%
Water conservation	12	9	21	20.8%
Staff awareness and skills on sustainable approaches	10	6	16	15.8%
Pollution from washing and cleaning products	8	3	11	10.9%
Green procurement (buying eco-labelled /organic/ recycled products)	6	4	10	9.9%
Total	16	10	26	100%

Table 32 - Reasons for not adopting sustainability measures

	Oporto	Coast	N	%
Short-term profit focus	1	3	4	19.0%
Limited access to resources	0	4	4	19.0%
Perceived high costs	0	3	3	14.3%
Lack of awareness on the subject	2	1	3	14.3%
Limited consumer demand	1	1	2	9.5%
Lack of regulatory pressure	0	2	2	9.5%
Complexity or uncertainty	0	2	2	9.5%
Lack of education on the subject	1	0	1	4.8%
Total	3	6	9	100%

Table 33 - Sustainability concerns divided by level of sales (in euros)

	< 50 000	> 50 000	Total
Water conservation	5	12	19
Pollution from washing and cleaning products	3	6	11
Waste management	5	12	20
Energy conservation	5	12	21
Green procurement (buying eco-labelled /organic/ recycled products)	2	5	9
Staff awareness and skills on sustainable approaches	3	10	14
Total	8	15	23

Table 34 - Reasons for not adopting sustainable measures divided by level of sales (in euros)

	< 50 000	> 50 000	Total
Short-term profit focus	1	3	4
Lack of regulatory pressure	1	1	2
Perceived high costs	1	2	3
Limited consumer demand	0	1	2
Lack of awareness on the subject	2	0	2
Lack of education on the subject	0	0	0
Complexity or uncertainty	0	2	2
Limited access to resources	1	2	4
Total	5	3	8

Table 35 - Do managers want to adopt more sustainable measures in the future?

	Yes	Maybe	Total
N	21	9	30
%	70	30	100

Appendix 14.c: Planning based on online guest reviews

Table 36 – Impact of online guest reviews

	Slightly impactful	Very impactful	Extremely impactful	Total
N	2	8	22	32
%	6.3	25.0	68.8	100.0

Table 37 – Association of online guest reviews with new bookings

	Yes	No	Total
N	28	4	32
%	87.5	12.5	100

Appendix 14.d: Performance evaluation

Table 38 - Comparison of revenues and costs

	Revenues		Costs	
	N	%	N	%
Real Values	25	56.8%	27	58.7%
Budgeted Values	8	18.2%	7	15.2%
Competitors' Values / Standard Costs	8	18.2%	8	17.4%
No Comparison	3	6.8%	4	8.7%
Total	44	100.0%	46	100.0%

Table 39 - Description of the financial indicators used

	Sales	Profit	Total Costs	EBIT
N	32	32	32	32
Average	4.50	4.44	4.25	3.50
Median	5.00	5.00	4.00	4.00
Mode	5	5	5	4
Standard Deviation	.762	.716	.762	1.320
Minimum	2	3	3	1
Maximum	5	5	5	5

Scale: 1 not used at all - 5 used to a great extent

Table 40 - Description of the operational indicators used

	Occupancy Rate	Gross Operating Profit	Average Daily Rate	REVPAR
N	32	32	32	32
Average	4.25	3.22	3.06	2.78
Median	5.00	3.00	3.00	3.00
Mode	5	5	3	1a
Standard Deviation	1.078	1.560	1.480	1.718
Minimum	1	0	0	0
Maximum	5	5	5	5

Scale: 0- not familiar with, 1 not used at all - 5 used to a great extent

Table 41 - Future use of operational indicators

	Yes	No	Maybe	Total
N	6	1	8	15
%	40.0	6.7	53.3	100.0

Table 42 - Use of the profit indicator according to the use of budget

	Never		Moderate		Always		Total
	N	%	N	%	N	%	
No Budget	0	0	10	55.6	8	44.4	18
Budget	0	0	4	28.6	10	71.4	14
Total	0	0	14	43.8	18	56.3	32

Table 43 - Use of the EBIT indicator according to the use of budget

	Never		Moderate		Always		Total
	N	%	N	%	N	%	
No Budget	4	22	13	72.2	1	5.6	18
Budget	1	0.1	7	50	6	49.9	14
Total	5	16	20	62.5	7	21.9	32

Table 44 - Use of the sales indicator according to the use of budget

	Never		Moderate		Always		Total
	N	%	N	%	N	%	
No Budget	0	0	8	44.4	10	55.6	18
Budget	0	0	4	28.6	10	71.4	14
Total	0	0	12	37.5	20	62.5	32

Table 45 - Use of the total costs indicator according to the use of budget

	Never		Moderate		Always		Total
	N	%	N	%	N	%	
No Budget	0	0	13	72.2	5	27.8	18
Budget	0	0	5	35.7	9	64.3	14
Total	0	0	18	56.3	14	43.8	32

Table 46 - Use of the occupancy rate indicator according to the use of budget

	Never		Moderate		Always		Total
	N	%	N	%	N	%	
No Budget	1	6	11	61.1	6	33.3	18
Budget	0	0	1	7.1	13	92.9	14
Total	1	3	12	37.5	19	59.4	32

Table 47 - Use of the gross operating profit indicator according to the use of budget

	Never		Moderate		Always		Total
	N	%	N	%	N	%	
No Budget	5	28	12	66.7	1	5.6	18
Budget	2	14	4	28.6	8	57.1	14
Total	7	22	16	50	9	28.1	32

Table 48 - Use of the REVPAR indicator according to the use of budget

	Never		Moderate		Always		Total
	N	%	N	%	N	%	
No Budget	6	33	12	66.7	0	0	18
Budget	4	29	3	21.4	7	50	14
Total	10	31	15	46.9	7	18.8	32

Table 49 - Use of the average daily rate indicator according to the use of budget

	Never		Moderate		Always		Total
	N	%	N	%	N	%	
No Budget	3	17	15	83.3	0	0	18
Budget	2	14	6	42.9	6	42.9	14
Total	5	16	21	65.6	6	18.8	32

Appendix 15: Results of budgeting, the establishment characteristics and management profile (RQ5)

Table 50 - Budget adoption by level of sales (in euros)

	Budget	No Budget	Total
< 50 000	4	8	12
> 50 000	9	6	15
Total	13	14	27

Table 51 - Intention of using budgeting in the future according to the level of sales (in euros)

	< 20 000	20 000 – 50 000	> 100 000	Total
No	1	1	1	3
Maybe	2	4	5	11
Total	3	5	6	14

Table 51 - Adoption of budget according to the respondent's education

	Budget	No Budget	Total
High School	4	9	13
University	10	9	19
Total	14	18	32