

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

Budgeting Practices in Small and Medium Sized Hotels in Germany  
What Did the COVID-19 Pandemic Change?

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## **Abstract**

This Work Project investigates the budgeting usage in small and medium-sized German hotels, as well as the effects of the COVID-19 pandemic on their budgeting practices. This study examines the change in budgeting practices, using a questionnaire distributed to 67 managers of the Romantik Hotel chain. Despite the importance and widespread use of budgeting methods in the hotel industry, research on their application in Germany is limited. Traditional Budgeting is the preferred method according to the respondents. In addition, the importance of budgets in hotels lie in their use for controlling, planning, evaluating performance, and coordinating.

**Key words: Management Accounting, Budgeting, Hospitality, SMEs, COVID-19 Pandemic, Germany**

## **1. Introduction**

Since the outbreak of the coronavirus illness in 2019, the hospitality industry has been fighting for survival (WHO, 2021). This industry was one of the first to be hit with large revenue drops, insolvencies, and job losses. It also will be one of the last to recover (Tappe & Luhby, 2020). Operating hotels by using Budgeting and forecasting sales, cash flows, and, ultimately, profits is challenging due to uncertainty about future government restrictions caused by rising infection rates. In addition, rising energy prices and concerns about long-term inflation have resurfaced. Maintaining commercial operations will be especially challenging for small and medium-sized businesses (SMEs) (EHL, 2021).

As a result, because SMEs have fewer resources than large chains, this Work Project intends to help them. The use of innovative and individually chosen budgeting techniques is a solution for reducing uncertainty about future performance and providing guidance during these difficult times. However, the question is whether hotels are ready to adopt and change, or if they have already done so. To help in these challenging circumstances, this Work project analyzes the current state of how small and medium-sized German hotels have modified, adopted, or maintained their budgeting practices, as well as how budgeting is used in depth. Second, this Work Project aims to assist SMEs in the hospitality industry in the necessary changes to make budgeting as useful and helpful as possible. Furthermore, the Traditional Budgeting (TB) technique has been chastised for being rigid, time-consuming, and usually incapable of reacting to changes in the business's dynamic. These aches and pains become much more acute during pandemic times. Therefore, this Work Project evaluates if the industry employs Better or Beyond Budgeting methodologies.

There are six sections in this paper. Following this introduction, section 2 discusses the key concepts of budgeting, such as the TB Process and the Better and Beyond Budgeting Alternative Models, and explores the German hotel business shortly, with special emphasis on

COVID-19 specifics, the characteristic of SMEs and the Romantik chain. Section 3 reviews the literature about budgeting of similar studies in the past. Section 4 describes the methodology, which consists of questionnaire, seven research questions, and the sample. The collected data is examined within the conceptual framework provided in section 4 and compared to a literature study in section 5. Finally, section 6, presents the conclusions, recommendations for hotel managers, as well as research limitations and suggestions for future studies.

## **2. The context of the research: The German hospitality industry, the Romantik chain, SMEs, and the COVID-19 pandemic and budgeting**

In general, the hospitality industry is consumer-oriented, facing a high level of competition. The industry's economy is distinguished by significant fluctuation in demand, customer heterogeneity, service intangibility, seasonality, the perishable nature of the products, as well as a fixed cost structure (Downie, 1997).

The tourism industry contributed to 9.8 percent of German GDP in 2019 and 5.5 percent in 2020 (Statistisches Bundesamt, 2021). In contrast to majority of hotels in Europe, the German hospitality industry, which is dynamic, consists of a mixture of domestic and international brands. (Mordor Intelligence, 2021). As the quantity of local and international visitors in Germany grows, so does brand penetration. Germany also has a significant number of independent hotels, with more than 20,000 hotels that span all market sectors. Many foreign hotels' have a strong presence in the most popular tourist destinations. Nonetheless, domestic brands, like the Romantik chain, are dominating tier-II cities (Töpfer, 2021). The importance of the domestic brands for the German hospitality market, emphasis the significance of choosing a chain like Romantik for obtaining results in terms of the sector.

The Romantik-Hotel group's hotel owners put a priority on unique values. This encompasses, for example, tradition passed down from generation to generation, culture,

quality, and enthusiasm, as well as responsibility. The emphasis is on enjoyment, and romantic hotels satisfy our hectic times' requirements for leisure and relaxation. Jens Diekmann and Alfred Mäder developed the concept of Romantik-Hotels in 1971. Since 2009, the group has included 200 hotels from 11 European nations. Personal management by the owner, stylish atmosphere, neat ambience, high demands on the kitchen and cellar, historically grown house, which is historically and culturally connected to the region in which it is located, and regional cuisine at a high level are some of the basic requirements to be a part of the chain; 22 chefs with one Michelin star are among the members (Romantik, 2021). It can be concluded that because the hotels in the sample are mostly owned and managed by the owner, the Principal Agency Problem, conflicts of interest and asymmetric information between them do not play a significant role (Gailmard, 2014).

Furthermore, according to the Federal Statistical Office of Germany, international tourists spent over 39 million nights in the country in the first six months of 2019, a three percent rise over the same period in 2018. (Statistisches Bundesamt, 2021). Moreover, domestic tourism is rapidly growing. When compared to the same time in 2018, the overall overnight climbed by four percent to 182 million in the first six months of 2019. However, during COVID-19, sales plunged precipitously: total net sales of 2020 decreased by 57.2 percent compared to the previous year (Mordor Intelligence, 2021).

The German federal government has approved a set of measures to help businesses deal with the COVID-19 Pandemic. Measures totaling €130 billion was giving a significant drive to stabilize the economy (Bundesfinanzministerium, 2021). Because the hospitality industry was severely impacted by the COVID-19 pandemic, these measures helped to stabilize the industry. In addition to government support, federal states have adopted a range of financial schemes, the terms of which vary by state, but are primarily aimed at micro-enterprises, SMEs, and the self-employed (Lange, 2020).

The EU guideline 2003/361 defines SME, which account for 99 percent of all businesses in the EU. According to the European Commission (2021) "An enterprise is any body that engages in economic activity, regardless of its legal status". SMEs are defined as businesses that meet the requirements outlined below. The definition is based on criteria of size, such as average number of employees, annual sales turnover, or balance-sheet total (see Figure 1, in Appendix).

### ***What is budgeting?***

“A budget is a quantitative expression of management's intended plan of action for a given period, as well as a tool for arranging what has to be done to carry out that plan” (Horngren, 2006: 181). It can be a prediction and plan for the coming year, and in certain situations, the following two, three, or even five years. The process of allocating financial resources within an organization to its units, operations, and investments is referred to as budgeting (Blumcntriti, 2006). Budgets are used by organizations for a variety of purposes. Forecasting the future, aiding in profit maximization, means of management communication, performance evaluation, planning, method of calculating incentives, employee motivation, regulating performance by researching variance, pricing decisions, and control are among the most prominent (Joshi, 1997; Joshi, Al-Mudhaki, & Bremser. 2003; Ahmad, Sulaiman, & Alwi, 2003; Wallander, 2019). TB is still a subject of controversy. Proponents argue that it should be preserved, since it is well established, while opponents argue it should be replaced with new models (Hansen, Otely & Van der Stede, 2003; Neely, Bourne & Adams, 2003; de Waal, Hermkens-Janssen & van de Ven, 2011; Pietrzak, 2014).

Management accounting systems have the reputation amongst some hotels to be expensive and difficult to implement (Lamelas, 2004), since the necessary expertise and knowledge is difficult to obtain (Johnson & Kaplan, 1987). To fight this stigma, it is crucial to determine

which budgeting approaches are employed in the hospitality business, as well as discussing the advantages and disadvantages of employing budgeting techniques in different forms.<sup>1</sup>

### ***Traditional Budgeting***

TB<sup>2</sup> is a method of budget preparation in which the previous year's budget is used as the base for the current year's budget and then updated.<sup>3</sup> The previous year's income and expenses are included into the current year's budget. Only items that exceed the previous year's budget must be explained and justified (Borad, 2020). TB was developed to coordinate financial operations across all organizations, explain financial expectations, and drive managers to act in the best interests of the firm (Horvath & Sauter, 2004). Libby and Lindsay (2010) explain the typical budgeting process as it occurs inside the top-down (hierarchical) "command and control" paradigm, in which choices, resources, and incentives flow downward while information flows upward. TB has four significant advantages, according to De Waal et al. (2011). First and foremost, managers are compelled to prepare ahead of time and create reasonable targets. Second, budgeting fosters cooperation and communication. Third, budgets are an effective instrument for measuring performance. Finally, budgeting encourages staff to attain specified goals and strive for excellence. The main criticism leveled at budgets by Libby and Lindsay (2010) is that they consume time, focused on costs rather than generating value, limit flexibility and adaptability to the environment, are unrelated to the entity strategy, and can be handled in a way that hinder innovation.

### ***Better Budgeting***

The Better Budgeting model is the less disruptive option, since it is a natural next step from the TB model for firms that want to transition from TB gradually. The Better Budgeting

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<sup>1</sup> This Work Project does not cover any other existing techniques.

<sup>2</sup> Also known as Incremental Budgeting

<sup>3</sup> Modifications to the previous year's budget like revenues, expenses, market conditions, among others

approach enhances the functional and institutional components of TB by focusing on key activities and planning from the bottom up rather than analyzing past data (Rickards, 2006). Neely et al. (2003) defined the Better Budgeting model as being connected with five approaches that serve to enhance the budgeting process, which are: activity-based budgeting, zero based budgeting, value base management, profit planning, and rolling forecasts or budgets. Since only ***Zero-Based Budgeting*** is obtained as a Better Budgeting approach in the sample, the paper is limited by just presenting the other approaches briefly.

Starting from scratch rather than using the existing budget as a starting point for budgeting for the next year is known as “Zero-Based Budgeting” (ZBB). Managers can use it to reevaluate their business activities from the bottom up (Pyhrr, 1979). ZBB aids in increasing the focus and accuracy of budget results. The issue is that it requires even more work than the TB technique. Another disadvantage of ZBB is that expenditures must be re-justified with each budgeting cycle, rather than budgets being based on past years or periods. However, this helps to avoid basing the budget on earlier inefficiencies and mistakes (Neely et al., 2003).

***Activity-Based Budgeting*** is defined as a system for recording, researching, and analyzing activities that result in expenditures for a firm. ***Value-Based Management*** supplement TB by requiring the creation of value for shareholders over time through a formal and systematic approach. ***Profit Planning*** is a collection of actions designed to attain a specific profit level, which is then added to the master budget. It does not eliminate a company's budgeting or forecasting processes. A ***rolling budget*** is constantly updated to include a new budget period when the most recent budget period concludes. (Tugbay, 2020).

### ***Beyond Budgeting***

Hope, Fraser, and the Beyond Budgeting Round Table founded Beyond Budgeting (BB) (BBRT). BB was established to change management accounting by making it more useful in supporting and improving a company's performance and operations. However, the adoption

and implementation decisions that businesses must make concern not only the employed management models and the existing budgeting method, but also the way of thinking. These modifications are significant. The Chartered Institute of Management Accountants [CIMA] (2007) stated that BB is collection of guiding principles that will assist a business in achieving its objectives. Without the need for Traditional budgets, an organization can manage its performance and decentralize its decision-making process. BB suggests that instead of using inflexible yearly budget-based performance assessments the performance evaluations based on relative performance contracts should be carried out (Hansen et al., 2003). BB differs fundamentally from standard budgeting. Firstly, it is a more adaptable method of management. Instead of fixed annual plans and budgets, targets are evaluated on a frequent basis and are based on stretch goals that are tied to performance. BB enables more decentralized management. It allows decision-making and performance accountability to be delegated, a self-managed working environment and a culture of personal responsibility (Neely et al., 2003).

### **3. Literature Review**

There are few studies that particularly examine hotel budgeting methods; those that do exist employ the questionnaire as a study tool. The summary table of the literature review within this section can be found as Figure 2 in the appendix. When the employment of various management accounting approaches is investigated the issue emerges often incorporated in works of a broader scope Studies are from the U.S. (Schmidgall & Ninemeier, 1987; Schmidgall, Raymond, Borchgevink & Zahl-Begnum, 1996), the U.K (Jones, 1998, 2006; Collier & Gregory, 1995), Turkey (Uyar & Bilgin, 2011), Slovenia (Ivankovic & Jerman, 2011), Nigeria (Joshua & Mohammed, 2013), Brazil (Souza & Lunkes, 2015), Portugal (Faria, Ferreira & Trigueiros, 2019; Santos & Arroiteia, 2010; Cruz, 2007), Greece (Makrigiannakis & Soteriades, 2007; Pavlatos & Paggios, 2009), Spain (Planas, 2004) and Cyprus (Ramadan, 2013). When preparing budgets, regardless of which type, there are specific areas to be

covered. These topics are reviewed in this empirical literature revision as they are also the topics of the research question later answered. Budget horizon, reasons for budgeting, early budgeting, involvement in the budgeting process, information utilized in budgeting, ZBB, budget review, and control budget are typical topics covered by the listed works. Then proceed to their examination.

### ***Reasons for developing budgets***

According to Faria et al. (2019), the main causes for developing budgets in Portugal are performance evaluation, target setting, control, and short-term planning. In the U.K. (Jones, 1998, 2006) and in Greece (Makrigiannakis & Soteriades, 2007) hotels establish budgets primarily to control and evaluate performance. However, performance evaluation is not key for using budgeting in Cyprus (Ramadan, 2013). Budgets are created in Turkey primarily to control expenses, examine profitability, and aid in long-term planning (Uyar & Bilgin, 2011). Many hotels in Greece use budgets to communicate and define goals, plan annual operations, and coordinate the actions of various organizational segments (Makrigiannakis & Soteriades, 2007; Pavlatos & Paggios, 2009). The primary reasons for budgeting in Brazil are to optimize outcomes, plan, monitor, and evaluate results, and assist short-term budget control (Souza & Lunkes, 2015). In the U.S., hotels utilize budgets largely as a benchmark against which to compare actual performance to and as a planning tool. National chains, more frequently than independent hotels, prepare the budget for comparative analysis; they prefer to use the operational budget as a management tool (Schmidgall & DeFranco, 1998). Two less mentioned causes are motivating employees and communicating plans (Uyar & Bilgin, 2011).

### ***Starting point of the budgetary process***

It is obtained that the budgeting process begins earlier decade by decade, since current technology allows data to be imported from ten or a hundred hotels at the same time. In the 1980s in the U.S., the budgeting process began five months in advance (Schmidgall and

Ninemeier, 1987). Later, Schmidgall et al. (1996) found that more than three-quarters of US hotels and roughly 70% of Scandinavian hotels began the budget process between three and five months. Planas (2004) discovered that in Spain international chains begin the process earlier (third quarter of the previous year). Smaller Spanish chains prepare budgets later, with 12% preparing budgets in December and 25% preparing budgets after the start of the year. Jones (2006) discovered that the budget process begins three months in advance in the U.K.

According to Uyar and Bilgin (2011), most hotels in Turkey require an average of 1.78 months to plan their yearly budget. Souza and Lunkes (2015) found that in Brazil, the time spent planning the budget is reduced, with 40 hours spent in 40% of hotels and more than 120 hours spent in only 12%. In Portugal most of the hotels start the budgeting process between one and three months in advance of the budgetary period (Faria et al., 2019).

### ***Participation in the budget process***

The bottom-up technique was employed by over 55% of respondents in the UK in 1998, but Jones (2006) discovered a 20 percent decline in the number of businesses who reported employing it later. According to the author, while the industry believes that participation in the budget process is essential, the bottom-up approach is inefficient because it consumes too much time and assumes trust in managers at lower levels of the organization, who do not always have the necessary training to generate an effective budget. According to Jones (2006), the “combination” approach allows you to keep control over the strategic direction by first establishing global objectives and targets and then then enabling managers to offer input to a budget at the unit level. More detailed information is available at the departmental level. Collier and Gregory (1995) discovered no evidence of pure top-down or bottom-up techniques in the U.K. In most situations, an iterative approach is used, with the budget being begun at the hotel and then discussed with headquarters. Especially the findings that budgeting is not a highly

participative process, especially in independent hotels (77% use the top-down approach) of Faria et al. (2019) are important for evaluating the findings of this study.

In general, hotels in Greece follow a top-down strategy, with intermediate managers wielding some power (Makrigiannakis & Soteriades, 2007). In Turkey, 42% of hotels utilize a variety of ways, with 34% using a bottom-up strategy and only 24 percent using a top-down approach (Uyar & Bilgin, 2011). In Brazil, Souza and Lunkes (2015) found that the bottom-up technique (40% of hotels) is the most employed; top-down and "combination" approaches are used in 25% and 18% of hotels, respectively. In Scandinavia, according to Schmidgall et al. (1996), the predominant approach in hotel chains is the bottom-up (64%); however, only a third of individual hotels use this approach. In Portugal, the organization analyzed by Cruz (2007) follows the bottom-up approach. In short, in hotels there is a preference for the bottom-up approach or for a combination of the two traditional approaches.

### ***Information used in budgeting***

Jones (2006) discovered that almost all hotels in the U.K. rely on actual figures from the previous year, which are backed by in-house market analysis, local economic indicators, and industry statistics and indicators. Budgeted amounts from the previous year are unused since they bring little value to the process, especially in a fast-changing environment. According to Uyar & Bilgin (2011), the most often utilized indicators in Turkey include actual results from prior years, industry statistics/indicators, and in-house market studies. In Slovenia, hotels also utilize previous period expenses (52.8 percent) as a foundation for budgets for the next period, followed by predicted costs. Standard prices are rarely utilized (Ivankovic & Jerman; 2011). In Brazil, budgets are mostly dependent on previous year's actual results and economic indicators (Souza & Lunkes, 2015). Regarding the values utilized in sales forecasts, as mentioned by Schmidgall et al. (1996), more than 90% of North American and Scandinavian hotels employ historical data. Greek hotels consider the impact of pricing adjustments, historical operational

data, national economic indicators, and marketing expenditures. Most hotels also assess local economic statistics, and half examine foreign economic indicators (Makrigiannakis & Soteriades, 2007).

### ***Zero-Based Budgeting***

In the hotel business ZBB is not the standard. According to Faria et al. (2019) few hotels in Portugal use ZBB. Half of U.K. organizations do not use ZBB (Jones, 1998, 2006). It is a technique to be utilized in new hotels or in unusual situations, such as a crisis, where no past data is accessible or beneficial to use. The rationale is that it does not compensate for the extra time required. Those that employ ZBB find it more useful for planning expenses rather than earnings (Jones, 2006). Forty-two of American hotels utilize the method, while just 7% of Scandinavian hotels do (Schmidgall et al., 1996). In Spain, hotel chains do not employ ZBB (Planas, 2004). This approach is also rarely employed in Turkey, with just 12 out of 79 hotels using it (Uyar & Bilgin, 2011). Only 30% of hotels in Nigeria implement the approach (Joshua & Mohammed, 2013) and according to Souza and Lunkes (2015) just 3% of the hotels use ZBB in Brazil. In Greece, however, Makrigiannakis and Soteriades (2007) and Pavlatos and Paggios (2009) indicate comparatively high usage rates of 60 and 49%, respectively. Hotel's construct ZBB, mostly to estimate the expenses of operational departments, according to Makrigiannakis and Soteriades (2007), which contradicts the findings of Schmidgall et al (1996). Cruz (2007) observed that in Portugal, ZBB gave way to incremental budgeting in a hotel chain in 2004.

### ***Budget review and control***

Budgets are prepared with some advance and in a dynamic operational context several factors can impact the budget and “force” its review (Schmidgall et al., 1996). A terrorist attack, a contagious disease or climate change can influence the hotel industry very quickly (Uyar & Bilgin, 2011). In this regard, the results of Schmidgall and Ninemeier (1987) and of Schmidgall et al. (1996) for the U.S. do not differ: seventy per cent of American hotels review their budgets.

In Scandinavia, only 44% of hotels do (Schmidgall et al., 1996). And most Greek hotels review budgets during the year, essentially for the purpose of making forecasts and evaluating performance (Makrigiannakis & Soteriades, 2007). Jones (1996), in turn, found that in the U.K. half of organizations review the budget through reforecasts, but even in these circumstances, the original budget continues to be used in performance evaluation. Uyar and Bilgin (2011), in turn, found that almost half of hotels review their budget quarterly and 30% do it every six months. Jones (2006) reports, that the directors' bonus continues to be based on the comparison of the actual values with the values initially budgeted. In Brazil, 25% of hotels review the budget quarterly, 22% monthly and 18% every six months; half of the hotels do not make changes resulting from variations in volume (Souza & Lunkes, 2015).

The observations and conclusions of previous research made in this section will be compared to the results of this investigation in the following sections.

#### **4. Methodology**

This study analyses the budgeting practices of small and medium-sized hotels located in Germany. Based on the literature review, the following research questions were formulated:

RQ1: *What is the perception of hotels towards budgeting?*

RQ2: *Has COVID-19 pandemic influenced the usage of budgets?*

RQ3 *When does the budgetary process start?*

RQ4: *What is the information used in setting budgets now versus pre-COVID?*

RQ5: *What management approach do hotels use regarding their budgeting process?*

RQ6: *How is performance evaluated and how are budgets revised pre- and post-COVID?*

RQ7: *How is the Traditional Budgeting approach enhanced (Better Budgeting)?*

To answer these questions, data analysis was carried out through the application of univariate descriptive statistics, with the results presented through tables of absolute and relative frequencies and calculated sample characteristics (e.g., mean).

### *The questionnaire and data collection*

Primary data were collected through a structured questionnaire addressed to those responsible for the management of hotels located in Germany. The questionnaire includes nine parts with a total of 30 questions. It is composed of closed questions to acquire nominal and ordinal data and open questions to get more in-depth replies. The questionnaire begins with broad questions and then progresses to more in-depth questions, allowing the respondent to navigate through the topics easily and effectively in the questionnaire. The 5-point Likert scale was employed to provide responders various options without overwhelming them (Preedy & Watson, 2010). Closed questions let respondents to make rapid and intuitive answers when faced with several possibilities and they enable researchers to readily code information for subsequent analysis and are less expensive to evaluate (Sekaran & Bougie, 2013). However, closed questions may be perceived as restricting by some responders, who may miss out on the opportunity to give further remarks. The inclusion of open questions allowed respondents to expound on their responses.<sup>4</sup>

The validity of the content was ensured by its foundation in the literature review, the context and concepts related to budgeting described in section 2 as well. Furthermore, a pre-test was undertaken before the questionnaire was sent to respondents to confirm the face validity<sup>5</sup> of the study instrument. During the pre-test, two professors with in-depth knowledge in management accounting, and hospitality provided commentary or ideas to improve the clarity and readability of the questions. To overcome the fear that a postal or electronic survey could generate a sample that was too small to produce a meaningful data analysis, the questionnaire was collected by the researcher in a meeting of the German-Division of the chain on the 8<sup>th</sup> of October 2021 in Frankfurt a.M. in Germany.

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<sup>4</sup> The questionnaire can be found in the appendices' section

<sup>5</sup> The degree to which a test seems to measure what it is designed to assess is referred to as face validity.

### ***Sample and characteristics of the hotels of the chain***

The sample size is 67 out of 99 hotels in the Romantic Chain in Germany. The rate of response is 67.7%. Therefore, we can accept a margin of error of 7% for a confidence level of 95%. Fifty-three (77%) of those who answered to the questionnaire are hotel owners, and 14 are hotel managers. The owners and hotel management do not work at the same hotel, as can be seen within our data sample. As a result, we have 67 distinct respondents.

The sample's hotels average number of years as a member of the Romantik chain is 11. The population hotels are all situated in Germany. The average year of establishment is 1985. As a result, the hotels in the sample have been in operation for an average of 36 years. Ninety-four per cent of the hotels are operated by the hotel's owner, with leases accounting for 6% of the sample's operating type. In addition, each hotel is administered independently. The average number of rooms is 39, with 36% of the hotels have 10 to 30 rooms, while 30% have 50 or more rooms, and 7.5% of hotels having 10 or less rooms. The average staff count is 26. In 2019, the average sales volume ranged from €1.000.000 to €2.500.000. In conclusion all hotels are SMEs according to the definition of the EU (Figure 1 in the Appendix).

Among the respondents, there are 49 (73%) four-star hotels, 12 (18%) three-star hotels, while five five-star hotels (7%). The sample includes 22 city hotels, 14 county hotels, eight heritage hotels, eight spa hotels, five lake and coastal hotels, four castle hotels, four culinary hotels, and two mountain hotels. In 2019, the average occupancy rate was 74%. The occupancy rate at the hotel is less than 70% in 21% of the cases, and it below 60% in 4% of the cases. Previously, 17% of the sample had an occupancy rate greater than 80%.

Out of the 67 respondents, 28 hotels (42%) mentioned that they do not prepare budgets all. Thirty-three hotels (49%) use the TB approach which accounts to almost half of the population. Six hotels are using the Better Budgeting approach (9%). None of the hotels uses the Beyond Budgeting approach. The respondents' reasons for not using budgeting are similar. Firstly,

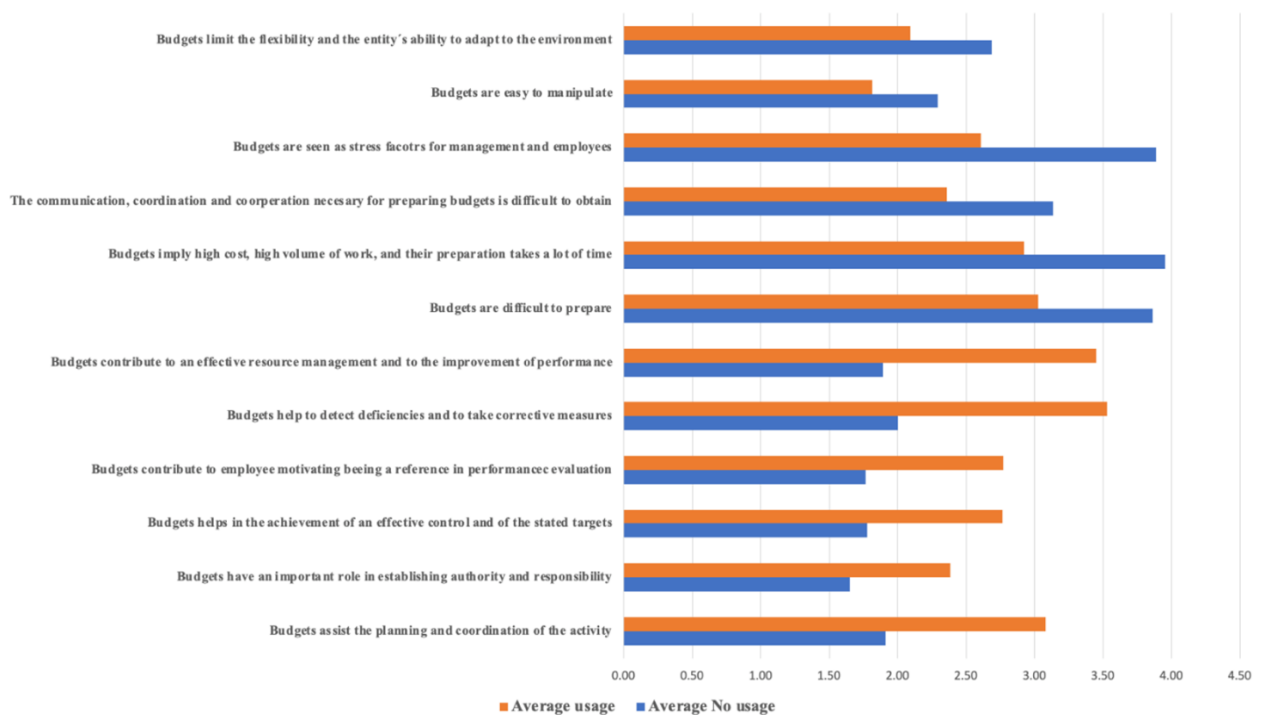
seven hotels believe they are too small to benefit from Budgeting. Second, five hotels stated that they do not know how to construct budgets or have limited expertise with them. Other hotels stated that it would incur additional expenditures or that the day-to-day operations are too time intensive, leaving little time for budget preparation.

## 5. Findings

### *Hoteliers' Perception towards Budgeting (RQ1)*

To compare the perception of hotels towards budgeting, the observation of the sample was split in two parts. Firstly, answers hotels gave that use Budgeting and secondly hotels that do not use Budgeting. This allows us to analyze the obtained data more in depth and understand why or why not Budgeting is used by German hotels in the sample. The presented average scale as seen in the Chart 1 ranks the level of intensity rising from 1 to 5. This scale will be used several times during this study. It is obtained that the usage of budgeting is mainly because of control, planning, evaluating performance and coordination. However, hotels that do use budgeting still associate high costs, high volume of work and a difficult preparation with it.

*Chart 1. Perception towards budgeting*



Nonetheless, hotels that do not use budgets consider these characteristics to be 20% more significant. Furthermore, the stress factors brought on by budgeting to management and staff are observed to be 30% greater in hotels that do not utilize budgeting (average 3.88) vs. hotels that use budgeting (average, 2.61). Budgets, according to the popular consensus, are difficult to manipulate and do not limit freedom. This is not surprising given the owners' high degree of control and engagement in the budgeting process, which will be disclosed in RQ5.

The obtained results are aligned with the findings of the literature review. Jones (1998, 2006) and Makrigiannakis and Soteriades (2007) observed that hotels establish budgets primarily to control and evaluate performance. Similar to Uyar and Bilgins (2011) findings are motivating employees and communicating plans not a key factor in this research.

Hotels that use budgets and hotels that do not use budgets have quite different perspectives on budgeting. Better and Beyond Budgeting must be introduced to hotels to remove the stereotype that budgets are difficult to prepare and obtain a lot of effort. This allows each hotel to select the best solution for their specific needs. However, the overall benefits of budgeting must be conveyed clearly, as must the risks of not adopting it. This is a fantastic opportunity for hotels to enhance their performance and enjoy a new level of control and planning.

### ***The Influence of the COVID-19 pandemic in the usage of Budgets (RQ2)***

The Average Loss incurred by the inquired hotels due to the COVID-19 pandemic in comparison of 2020 to 2019 is 63%. The 67 hotels expect the Loss for 2021 in comparison to 2019 to be 52% on average. Five hotels (7.4%) have adopted there Budgeting approach because of the COVID-19 pandemic. Three hotels started to use ZBB (4.5% of the respondents), and two hotels have abandoned the usage of Budgeting completely. One hotel stated, “We have not used budgets during COVID because the future was unpredictable”. The hotel that started using ZBB can be classified as being among the largest hotels of the sample<sup>6</sup>, have adopted the usage

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<sup>6</sup> Hotel 1: 95 hotel rooms, 5-star, hotel 63 employees; Hotel 2: 92 hotel rooms, 5-star hotel, 64 employees; Hotel 3: 65 hotel rooms, 4-star hotel, 44 employees.

of ZBB within 3-6 months after the outbreak of the pandemic and commented that they needed to adopt to the new situation and that at least one of the hotels changed from TB to ZBB.

So far, the implementation of budgeting practices because of the COVID-19 pandemic has received little attention. The literature study, on the other hand, offered ZBB as a beneficial tool for managing an entity amid a crisis as stated by Becker et al. (2016) Hotels should begin utilizing ZBB since the pandemic effect on the hotel industry remains significant in Germany. As of November 2021, a new dread of a lockdown has developed throughout Germany. The number of newly afflicted persons is rapidly increasing. The uncertainty of recent years has not vanished. It is advised that hotels adapt to this new reality of unpredictability and begin to get familiar with budgeting approaches such as ZBB, which will aid in navigating the industry through the following chapters of the pandemic. Companies may use ZBB to reset their cost base and cost structure, allowing them to shift cash to achieve the company's strategic aims. However, altering a company's attitude to expenses, like any other large change project, needs competent change management.

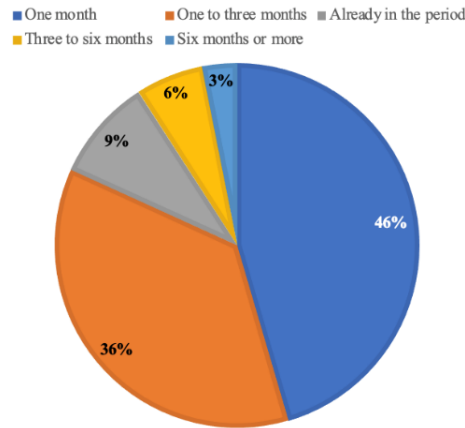
### ***Starting point of the budgeting process (RQ3)***

The budgeting process begins one month in advance for 31 hotels (46%) of the hotels in the sample that use budgeting. For twenty-four hotels (36%) the budget process starts one to three months in advance, and for six hotels (9%) it starts already in the period. As a result, 61 hotels (91%) that use budgeting prepare them with a short lead time.

These findings are consistent with the literature reviewed. Planas (2004) observed that smaller Spanish chains follow a later elaboration process, with 12% preparing budgets in December and 25% preparing budgets after the start of the year. Furthermore, Uyar and Bilgin (2011) discovered that most hotels in Turkey spend an average of 1.78 months preparing their annual budget. Nonetheless, modern technology allows data to be imported from tens or

hundreds of hotels at the same time, allowing large hotel chains to plan their budgets close to the start of the new period, as mentioned by Jones (2006).

*Chart 2. Starting point budgeting process*



However, hotels in the sample prepare budgets closer to the new budgeting period than hotels in the U.K., which begin three months in advance (Jones, 2006). Because the hotels in the sample are operated by the owner, there are no external deadlines for submitting a budget because it does not require approval from higher management. As a result, budgets must not be prepared in advance with appropriate time for adjustments.

#### ***Information used in setting budgets post-Covid vs. pre-COVID (RQ4)***

Visible differences in the information utilized to build the annual budget are acquired between pre-COVID and post-COVID. The previous year's actual figures were a dominant factor in drafting the yearly budget Pre COVID, as seen in the Chart 3. The average usage fell from 4.18 (high) to 2.69 (low to medium). Furthermore, the use of budgeted figures from previous years has decreased<sup>7</sup>. Post-COVID, in-house market analysis, local, national, and international economic indicators, and industry statistics have become the most essential sources of information utilized to build the yearly budget<sup>8</sup>. Pre-COVID no hotel stated a very high usage of in-house market analysis and economic indicators. In contrast, no hotel reported that none of these criteria were used Post COVID period. However, it is noted that all the

<sup>7</sup> Average of 2.56 pre-COVID to Average of 1.67 post-COVID.

<sup>8</sup> Characteristics of the hotel that use In-house market analysis Post COVID: More than 40 hotel rooms.

characteristics most certainly play a role in their budgeting preparation process. They are just quite different in terms of how far they are significant. The findings of the literature analysis point to the use of actual figures from past years as a primary source of information for formulating the yearly budget (Jones, 2006, Uyar and Bilgin, 2011, Souza and Lunkes, 2015).

*Chart 3. Information used to prepare the annual budget*



Most of these results are aligned with the findings of this study. The findings of Makrigiannakis and Soteriades are the sole exceptions (2007). Local and national economic variables, the influence of pricing adjustments, and previous operational data are all considered to a great extent by Greek hotels. Furthermore, the findings that standard costs are rarely employed (Ivankovic & Jerman; 2011) are consistent with the observation. The observation showing in-house market evaluations etc. serve a supportive function in the budgeting preparation process are in accordance with the findings of this study.

The findings that the information used to prepare the annual budget have changed significantly due to COVID are not surprising. The popular approach of using actual figures from past years is not suitable during crisis. Indicators like the possibility of another Lockdown and rising or falling COVID infection numbers are playing a greater role for the preparation of budgets in form of an inhouse-market analysis. Furthermore, are economic indicators and industry statistics widely used since past data like previous years budgeted and actual figures are giving little information about the uncertainty of the future.

***Management approach and involvement in the budgeting process (RQ5)***

Regarding the approach to budgeting process, top-down is utilized by 25 hotels (64%), bottom-up by 3 hotels (8%), combination by six hotels (15%), and no response by five hotels (13%). Bottom-up hotels have an average of 55 rooms and 36 employees. In our sample, the top-down method obviously dominates. Furthermore, the questionnaire investigated the management involvement in the budget preparation process. As shown in the Table 1, owners have on average (3.97) the greatest influence on the preparation of budgets. The level of involvement for general manager is on average (3.6) high as well. However, most of the hotels do not have a hotel manager. Just around 20% of the sample have a general manager. Therefore, the budgets are most likely prepared by the owner with the assistance of the accountant.

*Table 1. Management involvement in the budgeting process*

Level of involvement in the budget preparation process	N	Very Low	Low	Some	High	Very High	Average	Mode	Median
General Manager	15	1	0	5	7	2	3.60	4	4
Accountant	31	1	7	15	6	2	3.03	3	3
Department heads	37	3	17	12	4	0	2.51	2	2
Owners	36	0	3	6	15	10	3.97	4	4

In Scandinavia, according to Schmidgall et al. (1996) the approach of bottom-up is only used by a third of individual hotels. This is consistent with our findings. The authors conclude that in Scandinavian hotels, top management seems to 'dictate' more than appears to be happening in the U.S. and admit that the size of Scandinavian hotels may be the main reason for the preference by this approach. The conclusions of the other publications are mainly contrary to the findings of this study. More previous research discovered that the bottom-up or combination method is most likely adopted. The findings of Makrigiannakis and Soteriades (2007), on the other hand, reveal that, in general, hotels in Greece use a top-down method, with intermediate as well.

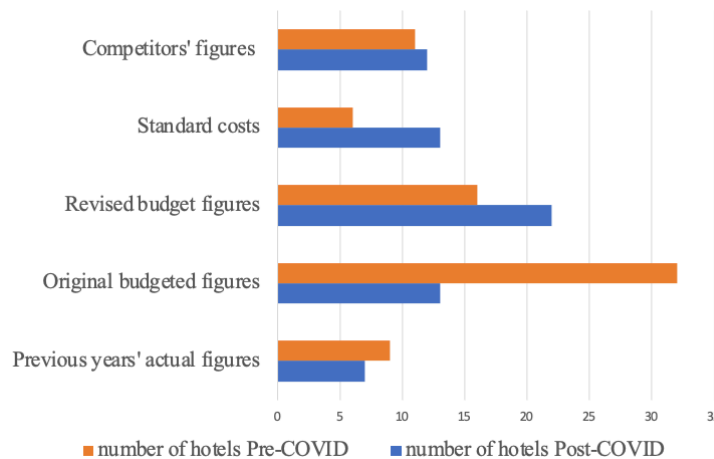
It is unsurprising that the owners play a big influence in the management engagement in the budgeting preparation process. Because all the hotels in the sample are owned and operated by the same person, the owner has ultimate decision-making authority. Furthermore, this

explains the widespread employment of the top-down method within the sample. Greater organizations have a more complex hierarchical structure. As a result, a general manager's reporting to the headquarters is considered bottom-up. This is not the case for the analyzed sample since the hotel manager is already at the top of the hierarchy.

***Performance evaluation and budget revision pre- and post-COVID (RQ6)***

Budgets are revised by 41% of the hotels that employ budgeting pre-COVID and by 56% post-COVID. The most notable conclusion of the questionnaire in relation to this study topic is that 32 hotels, accounting for 82 percent of the sample that does utilize budgets, used to compare their actual outcomes to the initial budgeted figures pre-COVID. In comparison to all other figures in the chart below, this figure was by far the most important revision tool. Following the outbreak of COVID, this number has reduced to only 13 hotels (18%). Post-COVID, 56% of hotels that utilize budgeting use the revised budget figures as a baseline, compared to 41% pre-COVID. Furthermore, with the breakout of COVID, standard costs began to play a significant role in the revision process, since it is employed by 22 hotels.<sup>9</sup>

*Chart 4. Performance evaluation*



The acquired result, that budget revision becomes more significant during a crisis, is consistent with the findings of Schmidgall et al. (1996), who argue that a variety of circumstances might influence the budget and "demand" its review. Uyar and Bilgin (2011)

<sup>9</sup> For a more in-depth analysis see Table 2 and 3 in the Appendix.

reach the same conclusion on crises. Furthermore, Jones (1996) asserts that the original budget is still employed in performance evaluation, as seen by the sample. Furthermore, the findings that actual sales and costs are compared to the original budgeted values (pre-COVID) are consistent with Schmidgall & Ninemeier (1987) and Schmidgall et al (1996).

The explanation for the increased relevance of budgeting revision is unmistakably COVID. Furthermore, the decline in the use of the original budgeted values as a standard for comparing actual performance to was anticipated. Because of COVID's volatility, the initial budgeted statistics are most likely meaningless for performance improvement. Nonetheless, performance evaluation is still achievable using the original budgeted data, but it just serves to discover losses rather than being a tool for organizational improvement. The rising importance of standard costs was not expected. This would be an interesting field for further research.

***RQ7: How is the Traditional Budgeting approach is enhanced (Better Budgeting)?***

Six hotels of the sample are using a Better Budgeting approach (9% of the sample) and all of them in the form of ZBB. Other forms of Better Budgeting have not been obtained from the sample. 3 hotels started zero-based budgeting because of the COVID pandemic. Therefore, the on average high usage (4) of Better Budgeting as a short-term planning tool is understandable, as seen in Table 4. Furthermore, it is observed that the motivation of using Better Budgeting is due to improved target setting (average 3.6), improved communication (average 3.6 of plans and special needs to coordinate the operation (average 3.5). Aside from the COVID pandemic, two spa hotels modified their budgeting method from incremental to zero-based due to higher energy expenditures. However, hotel hoteliers stated multiple reasons for not using a Better or Beyond Budgeting approach. 37 hotel hoteliers believe there is little to be gained from Better/Beyond Budgeting due to the high fixed cost base. Furthermore, 34 hoteliers believe that the cost of preparing Better or Beyond Budgeting is high compared to the obtained benefits and 30

hoteliers are stating that revenue is the priority in their hotel. It is observed in the open questions, that the sample has little knowledge about these techniques.

*Table 4. Implications of Better Budgeting*

For what is the selected Better Budgeting Approach helpful?	N	None	Low	Some	High	Very High	Average	Mode	Median
Evaluate Performance	5	0	2	2	1	0	2.80	2	3.0
Aid long term planning	5	0	2	2	1	0	2.80	2	3.0
Aid short term planning	6	0	0	1	4	1	4.00	4	4.0
Target setting	5	0	0	2	3	0	3.60	4	4.0
Motivate managers and staff	5	0	4	1	0	0	2.20	2	2.0
Aid control	6	0	2	2	2	0	3.00	3	3.0
Communicate plans	5	0	0	2	3	0	3.60	4	4.0
Coordinate the operation	4	0	0	2	2	0	3.50	4	3.5

The finding that hotels do not adopt ZBB to a large extent are consistent with the literature review (Jones, 2006; Planas, 2004; Uyar & Bilgin, 2011). Furthermore, ZBB is a beneficial tool for managing an entity during crisis (Becker et al., 2016). However, Jones (2006) points out, that flexible budgeting may be most beneficial in exceptional times. Nevertheless, this technique is not often used in the hospitality industry (Souza & Lunkes, 2015).

The main motivation of the sample to use ZBB is because of COVID and high energy prices. Therefore, it is obtained that crisis and changing environment play a significant role for hotels whether they implement a Better Budgeting approach. Further study should be conducted to determine if hotels will continue to ZBB. It is debatable if ZBB is the best way to navigate this situation. It is strongly advised that hotels begin analyzing if flexible budgets or a Beyond Budgeting approach might provide value during the crisis and possibly beyond. Especially since ZBB is more valuable for budgeting costs than revenues (Jones, 2006).

## 6. Conclusion

This study contributes to the knowledge and understanding of budgeting practices in SMEs hotels in Germany, playing a significant role in the local industry mix. The COVID-19 pandemic had a huge impact on the hospitality industry, and particularly on budgeting. Budgeting was the most used management accounting technique in the hotel industry before the COVID-19 pandemic (Faria et al., 2019; Collier & Gregory, 1995; Schmidgall et al., 1996;

Jones, 1998, 2006; Pavlatos & Paggios, 2009; Santos et al., 2010), and it remains the most used technique nowadays according to the research sample. The TB technique was widely used pre-COVID-19 and remains the dominant budgeting technique post-COVID. Hotels in the sample believe that using budgets is expensive considering available resources. Therefore, they conclude, based on their cost-benefit analysis, that they are too small to benefit from budgeting. Furthermore, hoteliers have a limited understanding of how budgets can be implemented and of the advantages of budgeting.

Hoteliers should ask themselves whether their approach towards budgeting a stigma from a generations-old tradition is or due to limited knowledge. Yet, disruptive changes like the industry are experiencing, could be the starting point for innovation. This is especially true for SMEs managed by the owner(s), who have the chance to adapt quickly to new methods, without breaking too many barriers. The adoption of Better or Beyond Budgeting approaches could bring a competitive edge to SMEs in relation to big hotel chains, since they can find a way of adapting to an already fast changing environment. However, being an SMEs does not exclude the possibility of finding the right budgeting approach that fits the needs of the hotel.

This paper has some limitations. First, it did not present all existing budgeting approaches in detail. Second, the small sample size.<sup>10</sup> Further research should analyze all the advantages and disadvantages of existing budgeting approaches in depth to identify which is the best fitted budgeting approach given each hotel's characteristics. This research contributes to the understanding of the budgeting *status quo* in the German hospitality industry. It also identifies problems associated to budgeting as shown by the results in the sample. Given this, the next step is to find possible solutions. Nevertheless, each hotel can make an individual decision of which approach fits their needs best. However, the need to have well informed managers and to give practical guidance is highly recommended.

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<sup>10</sup> However, representative for the population of German Romantik hotels.

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## 8. Appendix

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**Figure 1. Questionnaire:**

**QUESTIONNAIRE Master Thesis Malte Prien**

**1. Characteristics of the hotels**

1.1. Years of Membership of the Romatik Chain \_\_\_\_\_

1.2. Country \_\_\_\_\_

1.3. Position in the Hotel \_\_\_\_\_

1.4. Opening year \_\_\_\_\_

1.5. Operation type  Own (by the owner)  Lease  Management contract  Franchise

1.6. Management  Independent  National hotel chain  International hotel chain  Other

1.7. Number of rooms \_\_\_\_\_

1.8. Hotel Classification (Business Hotel, City Hotel, Leisure Hotel etc.) \_\_\_\_\_

1.9. Number of Hotel stars \_\_\_\_\_

1.9. Occupancy rate \_\_\_\_\_

1.10. Number of employees (average 2019) \_\_\_\_\_

1.11. Volume of sales (year 2019) (euros)  Up to 250 thousand  250 thousand-500 thousand  500 thousand-1 million  
 1-2,5 millions  2,5-5 millions  Over 5 million

**RQ2) Why companies use or do not use Budgets**

2.0 What of the following options is describing the hotels approach towards Budgets the best?

- Traditional Budgeting approach is used (Incremental)
- Traditional Budgeting approach is enhanced (Better Budgeting)
- Budgeting approach is replaced
- Budgeting is not used

2.1. How frequently does the hotel forecasts:

	Never	Daily	Weekly	Monthly	Quarterly	Semi-annually	Annually	No fixed frequency
a. 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"/>
b. 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"/>
c. 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"/>
d. Others	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please Specify: \_\_\_\_\_

2.2 How great is the influence of the following factors wheter your company is using, not using or enhancing budgets?

	Negligible			Extremely intense	
	1	2	3	4	5
2.2.1 Budgets assist the planning and coordination of the activity	1	2	3	4	5
2.2.2 Budgets have an important role in establishing authority and responsibility	1	2	3	4	5
2.2.3 Budgets helps in the achievement of an effective control and of the stated targets	1	2	3	4	5
2.2.4 Budgets contribute to employee motivating being a reference in performance: evaluation	1	2	3	4	5
2.2.5 Budgets help to detect deficiencies and to take corrective measures	1	2	3	4	5
2.2.6 Budgets contribute to an effective resource management and to the improvement of performance	1	2	3	4	5
2.2.7 Budgets are difficult to prepare	1	2	3	4	5
2.2.8 Budgets imply high cost, high volume of work, and their preparation takes a lot of time	1	2	3	4	5
2.2.9 The communication, coordination and cooperation necessary for preparing budgets is difficult to obtain	1	2	3	4	5
2.2.10 Budgets are seen as stress factors for management and employees	1	2	3	4	5
2.2.11 Budgets are easy to manipulate	1	2	3	4	5
2.2.12 Budgets limit the flexibility and the entity's ability to adapt to the environment	1	2	3	4	5
2.2.13 Others (please specify): _____	1	2	3	4	5

**RQ3) Has Covid influenced the use of Budgets?**

3.1 How big was your Loss due to Covid in comparison of 2020 to 2019?

10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

3.2 How big is your Loss due to Covid in comparison of 2021 to 2019 approximately?

10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

3.3. Has COVID influenced the approach of the hotel regarding Budgets?

- Yes
  - No
- Why/ How?
- \_\_\_\_\_

3.4. How fast has the hotel adopted a new budgeting approach after the outbreak of COVID?

- within 3 months
- within 6 months
- within 12 months

\*->Please skip to question 4.0 if COVID has not influenced your Budgeting approach

**RQ4) Information used in setting budgets**

**↳ Please skip to question 6.0 if you are not using budgets**

4.1. To what extent the following information is used in setting budgets?

	Not used at all			Used to a great extent	
	1	2	3	4	5
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. Other (please specify) _____	1	2	3	4	5

4.2. To what extent the following information was used in setting budgets **before COVID?**

	Not used at all			Used to a great extent	
	1	2	3	4	5
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. Other (please specify) _____	1	2	3	4	5

4.3. What are the actual sales and expenses are compared to (Now vs. Pre-Covid)

	Now	Pre-Covid
a. Previous year's actual figures	<input type="checkbox"/>	<input type="checkbox"/>
b. actual budget figures	<input type="checkbox"/>	<input type="checkbox"/>
c. revised budget figures	<input type="checkbox"/>	<input type="checkbox"/>
d. standard costs	<input type="checkbox"/>	<input type="checkbox"/>
e. competitors figures	<input type="checkbox"/>	<input type="checkbox"/>
f. others	<input type="checkbox"/>	<input type="checkbox"/>

**RQ 5) Approach to budgeting process**

5.1 Which approach is used in budgeting?

- a. Top-down
- b. Bottom-up
- c. Combination
- d. Other (please specify) \_\_\_\_\_


5.2 How far in advance does the budget process for a year commence?

- a. Six months or more
- b. Three to six months
- c. One to three months
- d. One month
- e. Already in the period

5.3. Rate the level of involvement of the following levels in the budget preparation process:

	Low			High		
a. General manager	1	2	3	4	5	
b. Accountant	1	2	3	4	5	
c. Department heads	1	2	3	4	5	
d. Owners	1	2	3	4	5	
e. Other (please specify) _____	1	2	3	4	5	

**RQ 6: How the Traditional Budgeting approach is enhanced (Better Budgeting)**

\*-> Please skip to question 7.0 if you are using budgets or not using budgets at all

6.1 What Better Budgeting Approach is your hotel using?

- a) Activity based budgeting
- b) Zero based budgeting
- c) Value based management
- d) Profit planning
- e) Rolling budgets and forecasts
- f) flexibel budgets
- f) others \_\_\_\_\_


6.2. For what extent is the selected Better Budgeting Approach helpful?

	Not used at all			Used to a great extent		
a. Evaluate Performance	1	2	3	4	5	
b. Aid long term planning	1	2	3	4	5	
c. Aid short term planning	1	2	3	4	5	
d. Target setting	1	2	3	4	5	
e. Motivate managers and staff	1	2	3	4	5	
f. Aid control	1	2	3	4	5	
g. Communicate plans	1	2	3	4	5	
h. Coordinate the operation	1	2	3	4	5	

6.3 What are the greatest benefits from the selected "Better Budgeting approach"?

\_\_\_\_\_

**RQ 7: How the Beyond Budgeting Process is implemented**

\*-> Please skip to question 7.0 if you are using budgets or not using budgets at all

7.1. Rate the level of importance for choosing a Beyond Budgeting Approach

	Low			High		
a. Saving money by not going through the budgeting process	1	2	3	4	5	
b. Faster response time that results from using more adaptive processes	1	2	3	4	5	
c. Better strategic alignment between goals, plans, measures, and behavior	1	2	3	4	5	
d. More value-adding work from the finance team	1	2	3	4	5	
e. Permanent reductions in the cost structure	1	2	3	4	5	
f. Release of the full potential of management systems and tools	1	2	3	4	5	
g. Others _____	1	2	3	4	5	

**RQ 8) Why are hotels not using Better Budgeting or Beyond Budgeting Approaches?**

8.1 Why doesn't your hotel uses Better Budgeting or Beyond Budgeting

- a. There is little to be gained from Better/Beyond budgeting due to the high fixed cost base
- b. The cost of producing it is high, when compared to the benefits obtained
- c. In my hotel revenue is the priority
- d. Other (please specify) \_\_\_\_\_


RQ 9) Why are you not using budgeting at all (please comment)?

\_\_\_\_\_

**Table 1. SME definition Adapted European Commission (2021)**

<b>Enterprise category</b>	<b>Head count</b>	<b>Turnover</b>	<b>Or</b>	<b>Balance sheet total</b>
Medium-sized	< 250	$\leq 50$ million		$\leq 43$ million
Small	< 50	$\leq 10$ million		$\leq 10$ million
Micro	< 10	$\leq 2$ million		$\leq 2$ million

**Table 2. Summary table of the Literature review**

<b>Authors</b>	<b>Country</b>	<b>Research method</b>	<b>Sample</b>	<b>Study purpose</b>
Faria et al. (2019)	Portugal	Questionnaire	92 hotels	Budgeting practice
Santos et al. (2010)	Portugal	Questionnaire	International hotel chain with 30 hotels	Performance evaluation
Pavlatos and Paggios (2009)	Greece	Questionnaire	85 hotels	Several techniques
Souza & Lunkes (2015)	Brazil	Survey	40 hotels main tourist centers	Budgeting practice
Planas (2004)	Spain	Questionnaire	Hotel and hotel chain	Several techniques
Schmidgall & Ninemeier (1987)	United States	Questionnaire	Hotel chains	Budgeting practices
Collier & Gregory (1995)	United Kingdom	Multiple case study	Hotel groups	Several techniques
Schmidgall et al. (1996)	United States	Questionnaire	Hotels and hotel chain	Budgeting practice
Jones (1998)	United Kingdom	Questionnaire	Lodging organizations	Budgeting practice
Makrigiannakis & Soteriades (2007)	Greece	Questionnaire	Hotels	Several techniques
Cruz (2007)	Portugal	Case study	International hotel chain with 30 hotels in Portugal	Performance evaluation
Uyar & Bilgin (2011)	Turkey	Questionnaire	Hotels with 3,4, and 5 stars and apart-hotels	Budgeting practices
Ramadan, Dilem (2013)	Cyprus	Questionnaire	109 hotels	Budgeting practice

**Table 3. Performance evaluation post-COVID**

<b>What are the hotels actual sales and expenses are compared against? Post-COVID</b>	<b>N</b>	<b>in %</b>	<b>number of hotels</b>
Previous years' actual figures	39	18%	7
Original budgeted figures	39	33%	13
Revised budget figures	39	56%	22
Standard costs	39	33%	13
Competitors' figures	39	31%	12

**Table 4. Performance evaluation pre-COVID**

<b>What are the hotels actual sales and expenses are compared against? Pre-COVID</b>	<b>N</b>	<b>in %</b>	<b>number of hotels</b>
Previous years' actual figures	39	23%	9
Original budgeted figures	39	82%	32
Revised budget figures	39	41%	16
Standard costs	39	15%	6
Competitors' figures	39	28%	11

**Table 5. Budgeting process**

<b>How far in advance does the budget process for a year commences?</b>				
Six months or more	Three to six months	One to three months	One month	Already in the period
3%	6%	36%	45%	9%

**Table 6. Information used to prepare the annual budget post-COVID**

<b>Information used to prepare the annual budget Post-COVID</b>	<b>N</b>	<b>None</b>	<b>Low</b>	<b>Some</b>	<b>High</b>	<b>Very High</b>	<b>Average</b>	<b>Mode</b>	<b>Median</b>
Previous years' actual figures	35	14%	40%	17%	20%	9%	2.69	2	2
Previous years' budgeted figures	27	44%	44%	11%	0%	0%	1.67	1	2
In-house market analysis	29	0%	10%	31%	45%	14%	3.62	4	4
Local, national and international economic indicators	34	0%	12%	47%	29%	12%	3.41	3	3
Industry statistics	33	6%	27%	33%	27%	6%	3.00	3	3

**Table 7. Information used to prepare the annual budget pre-COVID**

<b>Information used to prepare the annual budget Pre-COVID</b>	<b>N</b>	<b>None</b>	<b>Low</b>	<b>Some</b>	<b>High</b>	<b>Very High</b>	<b>Average</b>	<b>Mode</b>	<b>Median</b>
Previous years' actual figures	35	3%	3%	9%	43%	40%	4.18	4	4
Previous years' budgeted figures	27	33%	26%	37%	22%	7%	2.56	3	3.0
In-house market analysis	29	7%	45%	38%	14%	0%	2.57	2	2.5
Local, national and international economic indicators	34	32%	32%	26%	12%	0%	2.17	1	2
Industry statistics	33	24%	45%	30%	3%	0%	2.14	2	2

**Table 8. Perception towards Budgeting of hotels that do not use budgeting**

What are the perception of hotels that do NOT use Budgets towards Budgeting?	N	Low	Some	Medium	High	Very High	Average	Mode	Median
Budgets assist the planning and coordination of the activity	22	5	14	7	0	0	1.91	2	2
Budgets have an important role in establishing authority and responsibility	20	9	10	4	1	0	1.65	2	2
Budgets helps in the achievement of an effective control and of the stated targets	18	7	8	5	1	1	1.78	2	2
Budgets contribute to employee motivating being a reference in performance evaluation	17	7	9	3	2	0	1.76	2	2
Budgets help to detect deficiencies and to take corrective measures	18	6	9	4	2	2	2.00	2	2
Budgets contribute to an effective resource management and to the improvement of performance	17	5	10	6	1	0	1.89	2	2
Budgets are difficult to prepare	19	0	1	7	8	6	3.86	4	4
Budgets imply high cost, high volume of work, and their preparation takes a lot of time	22	0	0	6	11	5	3.95	4	4
The communication, coordination and cooperation necessary for preparing budgets is difficult to obtain	18	2	2	6	6	2	3.13	3	3
Budgets are seen as stress factors for management and employees	18	1	0	4	7	6	3.88	4	4
Budgets are easy to manipulate	17	5	4	6	2	0	2.29	3	2
Budgets limit the flexibility and the entity's ability to adapt to the environment	16	5	0	6	5	0	2.69	3	3

**Table 9. Perception towards Budgeting of hotels that use budgeting**

What is the perception of hotels that use Budgeting towards Budgeting?	N	Low	Some	Medium	High	Very High	Average	Mode	Median
Budgets assist the planning and coordination of the activity	39	0	6	25	7	1	3.08	3	3
Budgets have an important role in establishing authority and responsibility	39	3	19	16	1	0	2.38	2	2
Budgets helps in the achievement of an effective control and of the stated targets	39	0	7	17	9	6	2.76	3	3
Budgets contribute to employee motivating being a reference in performance evaluation	39	2	13	16	8	0	2.77	3	3
Budgets help to detect deficiencies and to take corrective measures	38	0	4	17	10	7	3.53	3	3
Budgets contribute to an effective resource management and to the improvement of performance	38	1	1	18	16	2	3.45	3	3
Budgets are difficult to prepare	37	2	5	21	8	1	3.03	3	3
Budgets imply high cost, high volume of work, and their preparation takes a lot of time	37	0	9	22	6	0	2.92	3	3
The communication, coordination and cooperation necessary for preparing budgets is difficult to obtain	36	3	17	16	0	0	2.36	2	2
Budgets are seen as stress factors for management and employees	33	1	13	19	1	0	2.61	3	3
Budgets are easy to manipulate	37	15	14	8	0	0	1.81	2	2
Budgets limit the flexibility and the entity's ability to adapt to the environment	33	10	10	13	0	0	2.09	3	2