Accounting systems for Tourism in an International Context.

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Abstract

In today’s business world, enterprises must be constantly alert to the new ways of gaining the upper hand over rivals. In this business environment, accounting is established as an essential aid in the tourism business management effort. Through an extended literature review, there will be an attempt to approach all the relevant theoretical models and the applications based on tourist business. The purpose of this article is to provide the importance of accounting systems for tourism enterprises in an international context. The results of this extended literature review indicate that, accounting is a knowledge field, which contribute catalytic to tourism business. Furthermore, it is argued that accounting in modernized tourism enterprises will continuously developed and become perfect in the extremely fluid business environment. Finally, further work is suggested in searching the applications of accounting systems in tourism for a longer period.

Keywords: accounting systems, international business, theoretical models, applications, tourism.

JEL classifications:

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1. Introduction

Within the globalized economic and business environment, the assessment of accounting systems has become a crucial process for researchers. Accounting throughout history industry has undergone a drastic change. As a branch of economics, accounting provides information about a firm and its transactions to facilitate resource allocation decisions by users of that information (Choi and Meek, 2005). Via an extended literature review, researchers have attempted to approach theoretically accounting’s catalytic contribution to the tourism business environment. However, a review of the hospitality literature revealed a paucity of academic research to assess the connection between accounting for tourism and its applications within the last five years. In this context the purpose of this paper is to provide the importance of accounting systems for tourism enterprises in an international context. The paper is organized as follows. The next section presents the literature review. In this section, we analyze the concepts of “accounting”, “tourism business” and “accounting systems for tourism”. Then the research is specified in the applications of accounting systems in international hotel business. The results indicate that accounting is a catalytic element which offers additional value to the modern hotel business. Finally, the concluding remarks are discussed and some possible future research directions are highlighted.

2. Literature review

2.1 General

This section presents the results of a literature review in order to illustrate the relevant theoretical models of accounting systems for tourism in an international context.

2.2 Conceptual framework of “accounting”

Accounting interest and approaches have expanded in recent years. Accounting history is worth studying since it puts contemporary accounting into perspective and may easily give us an account of all the information collected in the past which could provide solutions to the problems of the present. It is worth teaching as part of the overall cultural formation of future accountants, in particular to stress that “presently acceptable practices of accounting have not been immutable over the decades and centuries of environmental change” (Committee on Accounting History, 1970, p. 55).

Accounting historians have long been conscious that a full understanding of accounting’s past needs to embrace international dimensions (Parker, 1971; Carnegie and Napier, 1996).

The key role of accounting is to provide information for economic decision making (SAC 2, 1990) in support of the current political paradigm of economic growth and development.

Solomons (1991) describes accounting as being like a telephone - a neutral medium that promotes the exchange of information between the enterprise and the user; and while it is not an actor in the exchange, it is important that accounting measures be representationally faithful.
Miller and Napier (1993) argue that like any social phenomenon, accounting presents a “historically and geographically localised result”, but that does not imply that accounting should be viewed in isolation at a particular point of space, or time. Just as international accounting aims to situate local accounting practices of today within a comparative framework across space, so country-based histories of accounting attempt the same process across time. In their prospectus for accounting history into the twenty-first century, Carnegie and Napier (1996) proposed the notion of “comparative international accounting history” (CIAH). This research field is not entirely unexplored. However, its expansion can assist in generating “a focus on examining and explaining cross-national differences in accounting development” (Carnegie and Napier, 1996).

Accounting history literature witnessed a vast growth during the recent years. This growth has manifested itself not just in the number of publications but in the topics examined, research approaches adopted, and range of theoretical perspectives applied to the study of accounting through its history (Carnegie and Napier, 1996).

Accounting concepts, techniques and institutions have been diffused through both space and time (Carnegie and Napier, 2002). Based on an admittedly limited population of English language papers appearing from 1996 to 1999 in the specialist accounting history journals, Carnegie and Potter (2000) concluded that their analysis indicates “the existence of a relatively insular international accounting history research community dominated by a small number of institutions and authors”. Carnegie and Potter contended that accounting history authors seldom engage in cross-border collaborative research and display a limited tendency to venture beyond core themes and the modern period. A subsequent study of the sex distribution of authors in the same journals revealed, unsurprisingly, that authorship and editorial board membership in accounting history is male-dominated (Carnegie et al, 2003). Furthermore, Edwards (2004) broader review of the accounting history literature identified concerns about areas of fading interest, publication media and the dissemination of research findings.

Fleischman and Radcliffe's (2005) celebration of the advance of accounting history during “the roaring nineties” is challenged by fears of its quiet demise in the United States. It takes accounting to be a translucent medium which presents factual data to the world about an enterprise’s financial transactions and economic events. A good accounting is deemed to be one that represents the entity in a way that users recognize as commonsensical (Macintosh and Baker, 2002).

2.3 Theoretical background of “tourism industry”

Tourism industry is of great importance for the world economy today (Frechtling, 1999). It is one of the largest single employers and in many countries it is the largest services exporting sector, making an outstanding contribution to the balance of payments (Papatheodorou, 1999).

Tourism industry has many of the characteristics of a competitive market:
- there are few barriers to enter
it is a truly global market with few unnatural barriers to trade;
there is a large number of firms and
prices are set on the basis of market expectations.

A lot of researchers have tried to define the concept of tourism. According to Monique Dacharry (1964), tourism owes to be delimited in its historical prospect. Years later, Kaspar (1976) defines tourism as the total of relations and events that arise from the travel and the eve of individuals, when the place of stay is neither the initial and permanent residence nor the usual place of work. In this context tourism, according to United Nations (1994) and Frechtling (1999) is the activities associated with travel away from a person’s usual environment and most countries of the world are interested in the impact of tourism on their economies.

Nowadays, tourism organizations are becoming truly international and the issues they face equally universal (Ingram, 1995). In “the age of service competition” (Grönroos, 1994) that is depicted by international hospitality and tourism, the customer reigns supreme. Such is the power of customers that the term “service management” is increasingly used to emphasise management imperatives in this age of service competition and market forces. Therefore, to sustain competitiveness hospitality and tourism providers must continue to meet if not exceed customer expectations that are themselves dynamic (Atkinson, 2000). A properly planned, developed and controlled tourism industry will positively affect the society and the economy (Vaughan etc., 2000; Andriotis, 2001). Enrichment of the tourism industry with national characteristics is vital for a healthy development of tourism (Jayawardena, 1993). Tourism has outperformed most other sectors and contributed significantly to the economic and employment growth (Harrington and Lenehan, 1998). Generally speaking travel and tourism encompassing transport, accommodation, catering, recreation and services for travellers – is the economic engine for developed and developing economies worldwide (Rita, 2000).

2.4 Accounting systems for tourism

Consideration will also be made of the literature that reviews the impact of accounting systems for tourism, directly. It should be noted that there is little objective research on this specific impact.

At first, Harris and Brown (1998) presented an overview of development in accounting management with particular emphasis on the contribution of applied work for the tourism industry. One year later, Graham and Harris (1999) presented a paper that illustrated the development and implementation management accounting techniques in the Europe, Middle East and Africa division of an international hotel chain.

In this context Mia and Patiarb (2001) stressed the use of management accounting system in hotels. More recently, Mongiello and Harris (2006) described the design of managerial accounting systems in multinational hotel companies. Moreover, Anderson and Guilding (2006) emphasized the potential of competitor-focused practice to hotel business. Finally Burgess (2007) emphasized the major importance of outsourcing accounting functions, particularly in the hotel sector.
3. Applications of accounting systems in international hotel business

There are many proponents who now define the industry as competing on global terms (Crawford-Welch, 1991; Olsen, 1992; Schlentrich, 1993). Tse and West (1992) provide persuasive reasoning when they indicate that a firm competes on global terms when its competitive position in one country is significantly influenced by its position in other countries.

Internationalization has become a key research theme in the study of the hospitality industry and its constituents (Burgess, Hampton, Price and Roper, 1995; Clifton and Johnson, 1994; Litteljohn and Beattie, 1992; Teare and Olsen, 1992).

Like its domestic counterpart, the international hotel industry competes via the placement of its units in significant and appropriate locations.

Recall that accounting entails several broad processes:

- **Measurement** is the process of identifying and quantifying economic activities. These measurements provide insights into the profitability of a firm’s operations and the strength of its financial position.
- **Disclosure** is the process by which accounting measurements communicated to their intended users.
- **Auditing** is the process by which specialized accounting professionals attest to the reliability of the measurement and communication process.

The accounting procedure is considered to be the security belt of the business for avoiding either the involuntary or the intentional release of information as well as the avoidance of loss of income from misuse or from any errors in operation (Karagiorgos and Papadopoulos, 2003).

In this context, accounting plays a vital role in the verification of incomings and expenditure per field of operation in the hotel business. By the term ‘fields of operation’ of a hotel we mean those sections of the hotel in which the production procedure of the tourist goods and services occur with the purpose of achieving profit.

The main fields of utilization within a modern hotel unit are:

- the bedrooms
- the bar
- the buffet
- the restaurant

A lot of researchers argue that all these fields of operation are the most essential centers of earnings and cost and accounting plays a vital role in them (Lekaratou and Nizami, 1994).

Furthermore, accounting includes those actions related to the funding of the hotel unit, that is, with the capital which is necessary for its smooth running. The risk of losing capitals and also credit risk appear to be the determining factors from its viability.
Within the framework of limiting the risk of correct constitution of financial affairs, the following actions are in effect:

- Controls of the procedures, whereby a check is held to ensure whether the investments are always in accordance with the approved investment policy.
- Controls of the evaluations, whereby the cost of the investments with the running values is mainly compared as well as a check of the "deposits" and the "loans".
- Controls of the availabilities, the bank deposits and loans, during which their frequent update and the confirmation of other ones is necessary.

Furthermore, accounting systems contribute to the provision of information for performance measurement. (Mia and Patiar, 2001)

From the above mentioned, it is clear that accounting enables the hotel management to examine whether the right strategy of financial management is followed. Furthermore an appropriate accounting system is able to satisfy hotel managers’ information needs aiming to support management decision-making (Gordon and Miller, 1976; Chenhall and Morris, 1986; Ewusi-Menash, 1981). Simultaneously, accounting is essential in the correct valuation of mergers and acquisitions. Unfortunately, hotel companies do not fully utilize accounting information to assess the value of merger and acquisition, which is increasing to improve international competitiveness. This neglect of accounting information in merger and acquisitions leads to inappropriate evaluation of its value in markets (Jeon et al., 2003)

4. Conclusion

The last few decades have been characterized by unparalleled change. Researchers have not paid much attention to accounting systems in tourism, despite its importance for the world economy. However, events may persuade many developing countries to reconsider their industrialization policy: in this new world, tourism can provide a very important alternative for economic development and growth. The concept of tourism business was brought to the surface at the dawn of the 20th century. Simultaneously, accounting is established as an essential mean for the exact management of any business economic resources.

A possible limitation of the results is the short time interval covered. Furthermore with few exceptions such as Kreul (1993) and Burgess (1996) little work has been undertaken in an international context. There is also need for articles to which connect quality and environment with accounting systems for tourism.

Thus a suggestion for future research would be to examine the possible applications of accounting systems in tourism for a longer period. Another promising research initiative would be to further explore how an accounting system might be best operationalised to a tourism industry.

From the above it is clear that accounting adds up value, offering at the same time a systematic scientific approach on the improvement of the effectiveness of the tourism business. As the saying goes, "the future is bright, but the road ahead is tortuous". Realization of the major significance of accounting in tourism will set accounting as a priceless support in the hotel business management effort.
References


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