

ACCOUNTING MANAGEMENT SYSTEM (AMS) - DECISION-MAKING MODEL IN THE TOURIST INDUSTRY IN ROMANIA

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Abstract

The association between scientific knowledge and scientific research has a productive and motivating role in that both are related to a certain sector or field of activity and not only to research. One of the most complicated problems faced by tourism managers is the priority setting of objectives. Managers must select projects from a series of alternative investments. Following the research I have observed that, in their activity, managers in the tourism industry are based on rigorously systematized financial data, provided by accounting. In this research I studied the accounting management system of the AMS in the tourism industry in Romania and the way in which the theoretical elements are reflected, which are specific to the financial accounting field in the managerial practice of making economic decisions. This article bases the general and generalizable components of the field for which the research is carried out.

Key words: *decision-making processes, tourism enterprise, accounting management system.*

JEL Classification: *M41, J41, L20.*

I. INTRODUCTION

In recent years, the issue of managing decisions in the tourism industry has enjoyed great interest. Numerous publications (Simon R., 1990) emphasize the need to manage financial information in a "strategic" way. For this purpose, a wide variety of tools has been identified for those dealing with the management and how they could use them, in particular the management of the value ladder. Johnson (1994) considers that, if accounting information is used in decision making, tourism industry managers are entitled to increase costs, by focusing on standard departmental costs, rather than on the process management itself.

Moreover, the managerial approaches to substantiate the decisions of the tourism companies have been discussed by other authors (Young, 2001). These researchers vehemently challenged both the methods used and the results obtained, as well as the role played by the management controllers in the decision management process. For example, Peirce, J. C. 2000. challenges the effectiveness of direct attacks aimed at improving productivity. However, it should be noted that, although a number of studies establish links between the accounting management system and the use of cost management techniques beforehand, only a few have tried to really, empirically, observe, in what way the organizations proceed when they want to implement a decision to which they have committed. (Kaplan R.S., 1994).

The accounting management literature strongly emphasizes the demands on the importance of how managers in tourism units design and use the accounting management system (AMS) to support the implementation of organizational strategies (Dent 1990; Kaplan and Norton 1996; Simons 1995, 2000). However, despite considerable research effort and significant practical and academic interest in implementing strategies found throughout the literature (eg, Mintzberg 1994; Mintzberg et al. 1998; Braganza and Ward 2001), it is relatively unknown which aspects of AMS are effective antecedents of achieving specific strategic objectives in the tourism industry. First, AMS studies have usually emphasized the adequacy between AMS and the organization strategy formulation, (Gerdin and Greve 2004), as it is increasingly important to understand the role of managers' use of AMS in implementing strategies. (Marginson 2002). As the tourism market allows companies access to similar resources, and while competition in this sector is constantly increasing, it makes business processes focus on similar standards, decision making remains a crucial link in the value chain, bringing in revenue higher. For example, research in the field has shown that there is a correlation of more than 70% between the performing businesses in tourism and the improvement of its financial functions.

The interference of accounting - management is currently a favorite research direction because an efficient management cannot, today, ignore abstraction of accounting information that is increasingly analytical, verifiable, in the past, credible in the present

and predictable in the future. Although modern accounting standards, including international (IAS / IFRS) and European (European accounting directives) approaches accounting information from the perspective of its users, exogenous to the company, I strongly appreciate and support that the management of tourism companies is the first user of its accounting information production (Tabara N., 2004). In modern management, accounting must answer the questions: WHEN ?, WHERE ?, HOW ?, WHY? and FOR WHAT? resources must be allocated to an entity operating in the tourism industry. The present study intends to contribute to the enrichment of the accounting management literature in the tourism industry in several ways. These results are important for understanding the effects of performance in aligning the use of AMS to the degree of strategic dynamism in a tourism organization.

II. RESEARCH METHODOLOGY

The research strategy used in this article follows process staging in the approach and includes methodological elements specific to the respective phases of the research, namely: searching and collecting data (scientific observation: methods, techniques and tools for observing and investigating reality); data managing - data processing (preliminary analysis: methods, techniques and tools for data processing, logical analysis and interpretation and hypothesis formulation, procedures for constructing the statements and solutions, provisionally, to be verified); constructive (testing hypotheses and testing the model: qualitative and quantitative techniques, formal and logical principles of building and solving models); generalization and theoretical construction (concluding part of the research): methods and techniques of synthesis and generalization, principles and rules of theoretical and applied construction.

III. RESEARCH ON THE ROLE OF FINANCIAL ACCOUNTING INFORMATION IN DECISION MAKING IN TOURISM BUSINESSES

The investigations were conducted by field trips by moving to the premises of the entities that responded positively to our requests and included companies of type L.L.C. (Limited liability company). The questionnaire consists of 28 questions. Also, we tried to find that optimal formula that would not bore the respondent, not to abduct them for a long time, but at the same time, to have access to the information needed to achieve the proposed objectives. We acknowledge the existence of certain limitations in the research that might suggest that the results are only provisional. Field research also involves common inherent interpretations

of this method. And of course, the availability of participants and data is also a limitation. In the study, the risk of non-response could have been important if certain categories of organizations had systematically refused to respond to the inquiry. For example, some companies that wanted to protect the confidentiality of the solutions they found for cost management did not take part in the study, thus affecting the whole set of results. The centralization comprised 300 questionnaires considered by valid statistical research methods, which were centralized and processed using a statistical program (Yi, M. Y., and F. D. Davis. 2003). Next I will try to briefly present some of the results of the research conducted, highlighting the way in which tourism managers base their decisions.

I tried to find out what are the elements that underpin the refinement of a tourism investment decision. Summarizing the results to this question we can visualize the maturity and experience of tourism managers (table no. 1). Thus we can conclude that there is a business environment that is increasingly resorting to a business plan (42.3%) and to the information provided by accounting (30.9%), which shows us that although not all interviewees have basic economic studies, they use these reports and information to substantiate their decisions. However, we cannot overlook the fact that there are still managers who consider instinct and personal experience a way of evaluating the economic reality (12% and 22.9% respectively).

Table 1. Factors influencing the decision to invest in tourism / in the tourism sector

The relevant elements in making an investment decision (%):	(5)	(4)	(3)	(2)	(1)
Instinct	12	12,5	12,5	25,5	37,5
Context	10,5	18,5	20,5	31,5	19
Business plan	42,3	22,6	16,3	10,1	8,7
Gained experience	22,9	35,2	27,1	10,5	4,3
Financial-accounting reports	30,9	25,9	24,5	13,8	4,9

Note: (5) to a great extent, (4) to a large extent, (3) to a certain extent, (2) to a small extent, (1) to a very small extent)

During this period, many economic operators in tourism are facing the lack of liquidity to finance various activities. For this reason I consider this question very important and of course the solutions to which the entities appeal to be able to resist very interesting (graph no. 1).

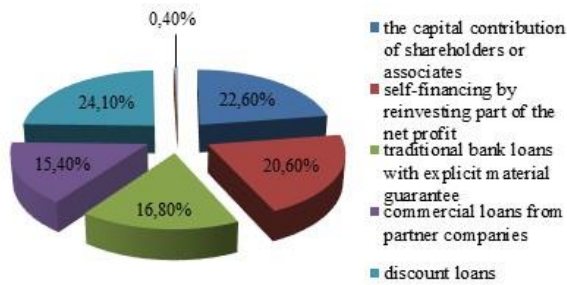


Chart 1 – The main sources of financing for tourism businesses

Source: own processing

The information used by the managers in the decision-making process is mainly used for the current decisions related to the operating activity and these concern problems such as: the need for stocks to be supplied, the liquidity available to the entity, the situation of receivable and debts, etc. According to the centralization obtained 35% of the respondents state that they use the financial accounting information for the analysis of the financial position, 20% to submit to the state bodies different reports, 18% for the current decision-making processes, 15% for the reports sent to the shareholders and 12% for the liquidity and solvency analyzes of the entity (chart no. 2).

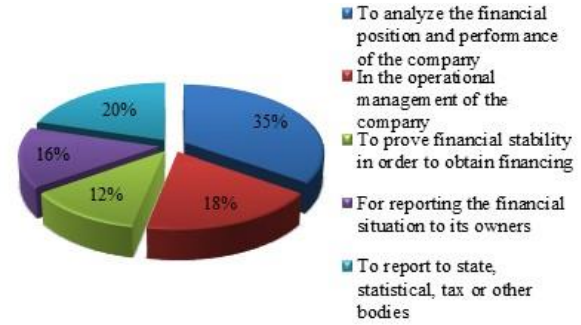


Chart 2 – Purpose for which financial accounting information is used in tourism units

Source: own processing

In the current economic situation of our country a very important role must be given to information on liquidity (19.5%) and of course the close monitoring of the budget of incomes and expenses (45.6%). These reports together with the study of the tourism market, rigorous marketing, the budget on three scenarios, the optimization of stocks, the renegotiation of contracts with the tourism agencies and suppliers in this sector of the economy, are the measures that should be adopted by the Romanian tourism entities (table no. . 2). The form of presentation of this information may vary according to several criteria (legal regulations in force, who are the beneficiaries, etc.) from verbal communications as answers to certain questions of tourism managers or possibly shareholders to various reports addressed to managers or financial statements addressed to external users.

Table 2. The typology of the documents useful for the decision-making process within the tourist units

Importance of indicators provided by accounting for managers (%):	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Asset structure analysis	15,8	15,3	19,2	15,3	11,3	7,9	8,5	2,8	3,9
Analysis of the structure of financing sources	12,4	18,4	17,3	13	15,1	11,4	7,6	4,3	0,5
Analysis of liquidity and solvency	28,2	33,1	10	10,5	7,2	5,3	3,3	0,5	1,9
Analysis of financial balance (working capital, required working capital)	19,5	18,3	13,7	12,6	17,1	13,1	2,9	1,7	1,1
Intermediate management balances	6	8,4	9,6	10,2	13,9	15,1	17,5	15,1	4,2
Revenue and expenditure budget	45,6	18,6	6,9	8,8	4,4	7,8	4,4	1	1
Cash-flow	21,6	16	14,4	11,3	6,7	6,7	12,4	9,3	1
Dashboard	4,6	11,8	7,8	4,6	7,2	3,9	11,1	32	16,3

Source: own processing

The key to the success of a tourism entity lies in its ability to identify (predict) the sources of value creation and to exploit them properly (table no. 3). The value is judged both from the point of view of tourism products and from the point of view of the organization as a whole.

Table no. 3. Influence of the managerial processes for the implementation of the cost strategies, in the tourism industry units

Impact of factors affecting cost reduction strategies	(5)	(4)	(3)	(2)	(1)
Constant monitoring by the management of cost reduction objectives	44,6	25,6	12,3	10,4	7,1
A better understanding of the causes of costs	20,1	20,7	23,6	20,2	15,4
Internal communication on the need to reduce costs	15,6	20,2	20,6	19,3	24,3

Establishing specific financial objectives for cost reduction	19,1	28,8	25,6	16,7	9,8
Managing activities that trigger costs	26,0	34,2	16,3	12,0	11,5

Source: own processing

Cost reduction is a constant concern in the field of management. This research also presents the results obtained from the study on cost reduction programs. The research considered the control mechanisms used, the potential influencing factors that intervene in the choice of mechanisms, in the modeling of costs. Two cost reduction models were obtained from the actual study. We considered as "traditional" the first type of behavior observed in the process of controlling the cost reduction. The tourism enterprises that adopt this approach focus on setting specific targets, expressed directly in terms of costs or in terms of behavioral activities considered to be capable of inducing costs. By excellence, they use cyber control mechanisms. More specifically, this approach can be characterized by the following elements:

- explicit identification of cost reduction as a key objective;
- setting specific targets for cost reduction;
- "Tight" budgetary control of targets that want to reduce costs;
- individual financial rewards related to the cost reduction program;
- implementation of these controls from the beginning of the program;
- establishing new rules related to cost control;
- resorting to physical constraints to reduce costs;
- presentation of accounts against the target costs individually;
- confidence in the existing accounting system for measuring the reduction of costs;
- focusing the management controllers on the existing cost measurement system.

The advanced control processes that were observed in field research presented the following characteristics:

- the official presentation of the project under a label other than the cost reduction (for example, *quality management, reorganization of the process or improvement of productivity*);
- more "free" budgetary control of cost reduction;
- individual or collective rewards related to qualitative objectives;
- gradually sensitizing employees to the need to reduce costs;
- resorting to interdisciplinary teams to solve cost management problems;
- involvement of all categories of personnel in these teams;

- preparation of specific data and information for operational stages;
- creation of new structures and new positions;
- preference for communication before operating;
- investments in personnel specialization;
- introduction of new vocabulary and new concepts;
- qualitative approach to cost reduction.

However, no company has actually focused on a single approach. The tourism enterprises in which the advanced approach predominated also used a number of traditional control mechanisms: *they also set specific targets for reducing costs in certain areas, using both the budget and the information resulting from the traditional cost calculation system.* (chart no. 3)

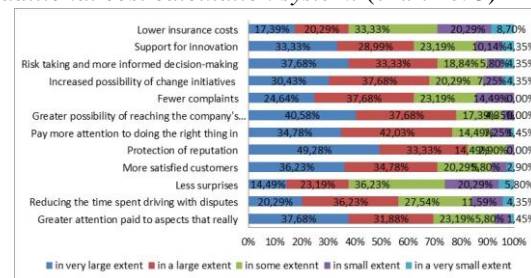


Chart 3 – Benefits of cost reduction programs in the tourism industry

Source: own processing

By trying to give more power to operational employees, tourism managers were also ready to take notice of opportunities that appeared to reduce employees' behavioral choices. Approach differences should therefore not be interpreted in extreme terms (to use or not to use a certain control mechanism), but in relative terms (to what extent a certain mechanism must be used).

Table no. 4. Difficulties encountered by tourism managers in implementing cost reduction programs

No.	Identified problems:	AVERAGE
1.	Constant monitoring by management of cost reduction objectives	5,48
2.	A better understanding of the causes of costs	5,41
3.	Internal communication on the need to reduce costs	5,37
4.	Establishing specific financial objectives for cost reduction	5,24
5.	Managing activities that trigger costs	5,21
6.	Modification of the internal structure of the organization	4,71
7.	Elimination of certain transactions	4,66

8.	Encouraging employee participation in decision making	4,56
9.	Improving relationships with suppliers	4,46
10.	Establishing clearer objectives regarding employee behavior	4,32
11.	Introducing new technologies	4,26
12.	Reducing budgets	4,07
13.	Training of employees specialized in cost management	3,85
14.	Development of cost behavior models	3,74
15.	Employee appreciation and remuneration according to behavior	3,51
16.	Replacement of key persons	3,33
17.	Personnel evaluation and motivation according to the cost reductions achieved	3,27
18.	Development of levels or areas of activity in the organization	3,26
19.	Increasing the rules regarding personnel behavior	3,08
20.	Increased supervision of employees / workers	2,85

There are numerous approaches regarding the complexity / difficulty of decision-making contexts in tourism; some specialists propose a new framework for substantiating business decisions; they discuss simple, complicated, complex and chaotic contexts; leaders in tourism, they say, are not only able to identify the context in which they work, but they are able to adapt their behavior to the characteristics of this context (table no. 4).

IV. CONCLUSION

In practice, managers in the tourism sector never face a single decision, in the context in which the information system provides a wide range of information. As a result, the cost-profit approach must be focused on the collective effect of the decisions of a company. For the units operating in the field of tourism,

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a complex and costly accounting system for accounting can provide sufficient data and even functionalities for the budgeting of these units. In simpler situations (let's say the supply requirement), a cheap application implemented on a PC or even a user-designed model in a common development environment can provide sufficient data to substantiate the decision in tourism businesses, in terms of economic efficiency.

The main role of the accounting information system in the decision-making process within the tourist unit requires the latter to ensure that, through its organization and functioning, the following objectives are met in optimal conditions:

- to provide the information needed to make decisions, both for the management of the respective company and for third parties;
- to provide the information necessary for the elaboration of the plans and programs of economic activity, especially of the budgets of the respective companies;
- to ensure the chronological and systematic recording of the economic operations that affect the financial position, financial performance and cash flows of the company;
- to provide the data necessary to calculate the costs of products, works and services;
- to provide the information necessary for the preparation of the financial-accounting reports.

The accounting information, as a stake of the social game, in which the users of the accounting information are involved, represents the result of the production of accounting information, which has as a primary recipient the managers of the tourism sector units.

Through our research we studied how to reflect the theoretical elements, specific for the financial accounting field in the managerial practice tourism units. To approximate the theory of practice, we propose for future research a study that starts from the practical needs to the existing theoretical structures, to explain the evolution towards global standards and the extent to which all societies need to enter this carousel of convergence. We consider that we are close to the moment when we have to give up the rigid and predetermined formats and we are evolving towards designing a flexible model for presenting the financial accounting information for the managers in the tourism industry.

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