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A RE-EXAMINATION OF KEY MANAGERIAL ACCOUNTING SKILLS FOR LODGING INDUSTRY MANAGERS

James W.Damitio and Raymond S. Schmidgall

ABSTRACT

This study uses survey research to reexamine salient managerial accounting skills for managers in the lodging industry and compares its results to the findings of Damitio and Schmidgall (1991). Results of this research support clearly suggest that managerial accounting skills are extremely useful to lodging managers in performing their duties. Consistent with the findings of Damitio and Schmidgall (1991), this study also shows significant agreement between lodging controllers and lodging managers as to the importance of these skills.

INTRODUCTION

The economy of the United States is becoming increasingly service oriented and a fast growing segment of the service sector involves the lodging industry. Competitive pressures are demanding that lodging managers are properly trained to perform adequately. Lodging managers employ a variety of skills in performing their duties. One area of expertise is the use of managerial accounting reports that are provided by lodging controllers. The strategic use of certain managerial accounting skills by managers who work with controllers will be key to the future success of many lodging ventures.

As controllers and lodging managers work together in achieving the entity's objectives, how do they view the importance of managerial accounting skills to managers? Are the two groups in agreement as to the importance of certain managerial accounting skills? Do controllers and managers in the lodging industry rate the importance of these skills to managers differently as they amass more years of industry experience? Studies were published in the early 1990s that sought the answer to this and other questions about how important managerial accounting skills were to lodging managers.

LITERATURE REVIEW

Damitio along with Kagle and Schmidgall conducted a few different studies of the importance of accounting skills to hospitality managers in the early 1990's.

Damitio and Kagle (1991) surveyed lodging controllers to determine the importance of 18 accounting skills to lodging managers. They were all considered to be important. Damitio and Schmidgall (1990) compared the rating of 18 accounting skills by lodging managers and controllers and found that both groups considered the skills to be important. Damitio and Schmidgall (1991a) compared the views of students, educators, hospitality executives regarding the importance of accounting skills to lodging managers. They found considerable agreement across the three groups.

Recently this subject has been revisited and the findings in the current study are compared to the findings of the Damitio and Schmidgall 1991 study. Findings in the current study support the findings in the previous study which indicate that managerial accounting skills are very useful to lodging managers in performing their duties. In addition, the current study supports the previous study that there is good agreement between lodging controllers and lodging managers as to the importance of these skills.

HOW THE STUDIES WERE CONDUCTED

The 1991 study included 18 key managerial accounting skills listed below in Exhibit I.

EXHIBIT 1

**Important Managerial Accounting Skills Included in Damitio &
Schmidgall (1991)**

S.#	Managerial Accounting Skills
1.	Break Even Analysis
2	Capital Budgeting
3	Cash Budgeting
4	Flexible Budgets
5	Operating Budgets
6	Analysis of Variance
7	Balance Sheet
8	Income Statement
9	Sources/Uses of Funds
10	Financial Forecasting
11	Internal Auditing
12	Inventory Management
13	Payroll Accounting
14	Pricing
15	Ratio Analysis
16	Federal Income Tax
17	Property Tax
18	Payroll Tax

A questionnaire was mailed to a sample of managers and a sample of controllers in the lodging industry. The controllers were randomly selected from the membership list of the International Association of Hospitality Accountants (IAHA), while the managers were randomly selected from the membership list of American Hotel & Motel Association (AH&MA). Both groups were asked to rate the importance of these skills to lodging managers using a 5 point Likert scale with “5” being “extremely important”, “4” being “very important”, “3” being “important”, “2” being “somewhat important”, and “1” being “not important.”

In addition, respondents were asked to provide other information such as number of years of experience as either a manager or controller, amount of formal education, and other other demographic items. The data was cross-tabulated to determine differences in responses based on these demographic items.

In 2005 a similar study was conducted with the same two groups of individuals. Once again, questionnaires were mailed to a sample of 500 managers and a sample of 560 controllers in the lodging industry. In this study all of the skills from the 1991 study were used plus the following additional skills: Accounting Controls, Information Technology, Activity Based Costing, Spreadsheets, Fixed Asset Accounting, and Depreciation. The sample of managers were individuals who had recently received their certified hotel administration designation from the Educational Institute of the American Hotel & Lodging Association, while the sample of controllers was chosen from basically the same sample used in the 1991 study, however, the IAHA is now called the Hospitality Financial & Technology Professionals (HFTP).

RESEARCH RESULTS

Characteristics of Controller Group

One hundred nineteen controllers responded to the survey for a response rate of 21.3%. In the study, 75 (63.3%) of the respondents held the title of controller or assistant controller, while 18 (5.3%) held the title of CFO. The rest of the controllers that responded held a variety of titles but functioned as controllers. Seventy-three (61.2%) of the respondents had more than 15 years of experience as controller, while 40, (33.6%) had between 5 and 15 years of experience as a controller. Eighty-four (70.6%) of the controllers reported that they held at least a bachelor's degree while 19 (16%) said that they had earned a master's degree. About one-half of the controllers worked for hotels with fewer than 500 rooms while the rest worked for larger properties. Just over 25% of the responding controllers held the Certified Hotel Account Executive designation (CHAE) and just fewer than 20% were CPAs.

Characteristics of Manager Group

One hundred and twenty five managers responded to the questionnaire for a response rate of 25%. Most of the managers (85.6%) responding to the questionnaire in this study were general managers while the rest held various titles such as president or area hotel manager. Just over 40% of the managers responding to this study had from zero to ten years of experience as a manager, while 19 (33.6%) had more than 15 years of managerial experience.

Most (81.6%) of the managers held a bachelor's degree while 17 (13.6%) had earned a master's degree. The majority (94.2%) of the managers in the study worked for properties with 500 rooms or less while the remainder worked for larger properties. Almost all (96.8%) of the managers were Certified Hotel Administrators (CHA).

Importance of managerial Accounting Skills

First of all, the controllers' responses to the importance of these skills to managers is reported as shown in Table 1. None of the 24 skills were rated by the controllers, as a group, as "not important" or "somewhat important" to managers. Rather, in the case of every

skill, controllers rated them as “important” or in many cases “very important” to managers. As shown in Table 1, the mean values for the 24 skills range from 2.653 to 4.529. The average rating across the 24 skills was 3.578. Controllers rated the Income Statement as the most important skill for managers. The mean rating of 4.529 for the income statement indicates that the controllers as a group believed that this skill is somewhere between very important and extremely important to managers.

The Income Statement was followed by Operating Budgets, with a mean of 4.403 and then Analysis of Variance with a mean of 4.339. The skills that were ranked four through six on the controllers list were respectively, Financial Forecasting, Accounting Controls, and Spreadsheets. Each of these three skills had mean values greater than “4.0.”, indicating that controllers rated them very important to managers.

The ratings of the same skills by the managers are also reported in Table 1. Once again, none of the 24 skills were rated by the managers, as a group, as “not important” or “somewhat important” to managers. Table 1 illustrates that the mean values for the 24 skills range from 2.544 to 4.456. The average rating by the managers of the 24 skills was 3.516, which is very close to the average rating by controllers of 3.578. Managers rated Operating Budgets as the most important skill, followed by Financial Forecasting at 4.276, and Pricing at 4.256. The next three highly rated skills by managers were respectively, Analysis of Variance, Income Statement, and Inventory Management, all three of which had mean values greater than “4.0”, indicating that managers rated them very important to their jobs.

Controllers in the lodging industry should be comforted by the fact that the managers that they provide financial reports and information to apparently place high value on managerial accounting skills as indicated by their aggregate mean ratings of the skills.

In addition, there appears to be fairly good agreement between the groups as to which skills are the most important since the top 4 skills on the controllers' list are within the top six skills on the managers' list. It is also interesting to note that the managers in the study rated 13 of the 24 skills higher than the controllers.

The t-test results are also shown in Table 1. For five skills the importance rating is statistically different beyond the managers and controllers. For these skills managers placed a higher level of importance on the skill than did the controllers.

It is also interesting to note that the seven least important skills for each group are the same. These skills include fairly technically skills including the three tax skills, fixed asset accounting and the related depreciation, ratio analysis and activity based costing.

COMPARISON WITH EARLIER RESEARCH

Results of the current research supported what was found in the Damitio and Schmidgall (1991), namely that managers and controllers rate managerial accounting skills to be of high value to managers in the lodging industry. Table 2 illustrates that in the 1991 study, the range of mean values for the controller sample was from 2.653 for Federal Income Tax, to 4.529 for the Income Statement with an average of 3.642. As in the 2005 study, none of the skills were rated by controllers' group as a whole as being "not important" or "somewhat important" in the 1991 study. Controllers in both studies rated the Income Statement number one, the Operating Budgets number two, and Analysis of Variance as the number three skill.

Managers, as a group, in the 1991 study rated all of the skills as being either important or very important to themselves as managers. Table 2 shows that the means for the skills in the 1991 study range from 2.885 for Federal Income Tax to 4.511 in the case of Operating Budgets. The average rating by managers was 3.730. Managers in both studies rated Operating Budgets as the number

one skill. Also, in both studies, managers listed Financial Forecasting, Pricing, Analysis of Variance, and the Income Statement in the top six skills, albeit in different order. In the 1991 study, managers rated 15 of the 18 skills higher than the controller group.

In the 1991 study a t-test was performed on the mean values for the controllers' responses and the managers' responses. For five of the 18 skills in that study (28%), there was statistically significant difference between the means of the two groups at the 5% level as shown in Table 2. The statistically significant differences are noted for the following skills: Break-Even Analysis, Operating Budgets, Financial Forecasting, Pricing, and Ratio Analysis. In the case of each of these five skills, the mean for the manager group was higher than the mean for the controller group.

CONCLUSIONS

None of the skills in either study was rated "not important " by managers as a group. Therefore we conclude that lodging managers perceive managerial accounting skills as very useful to them as managers. We also conclude that lodging controllers perceive that managerial accounting skills are very useful to lodging managers since none of the skills were rated "not important" by the controllers in either study.

In the case of most of the skills, we did not find significant differences between managers' and controllers' ratings of these skills in either study. We therefore believe that there is fairly good agreement between the two groups as to the relative importance of these skills to lodging managers. Since lodging controllers provide reports to, and work with those reports, with lodging managers, this similarity of rating should be contributing to goal congruence within the organizations.

There is fairly good agreement among controllers and managers in the lodging industry when rating the importance of the major managerial accounting skills. This should contribute to the goal congruence of the two groups. In addition, the top skills as rated by both groups should be focused on when lodging companies conduct management development programs.

Would there be this much agreement between managers and controllers in the other segments of the service industry or in manufacturing segments of the economy? This question would be the basis for further research in the area of managerial accounting skills.

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Table 1 T-Test Results on Differences in Perceptions Between Managers and Controllers When Rating the Importance of Managerial Accounting Skills				
<u>Rank</u>	<u>Skill</u>	<u>Managers</u> <u>Mean Value</u>	<u>Controllers</u> <u>Mean Value</u>	<u>2-Tail</u> <u>Probability</u>
1.	Operating Budgets	4.456	4.403 (2)	.616
2.	Financial Forecasting	4.276	4.297 (4)	.845
3.	Pricing	4.256	3.670 (13)	.000*
4.	Analysis of Variance	4.232	4.339 (3)	.382
5.	Income Statement	4.120	4.529 (1)	.000*
6.	Inventory Management	4.080	3.740 (8)	.003*
7.	Capital Budgeting	3.919	3.737 (9)	.168
8.	Accounting Controls	3.904	4.101 (5)	.094
9.	Spreadsheets	3.896	4.092 (6)	.088
10.	Payroll Accounting	3.887	3.672 (12)	.095
11.	Internal Auditing	3.848	3.647 (15)	.132
12.	Cash Budgeting	3.840	3.723 (10)	.428
13.	Cash Flow Statement	3.808	3.782 (7)	.857
14.	Information Technology	3.720	3.706 (11)	.904
15.	Breakeven Analysis	3.670	3.250 (17)	.003*
16.	Balance Sheet	3.544	3.656 (14)	.499
17.	Flexible Budgets	3.496	3.263 (16)	.091
18.	Activity Based Costing	3.307	2.835 (23)	.000
19.	Ratio Analysis	3.164	3.025 (18)	.328
20.	Payroll Tax	2.887	2.992 (19)	.508
21.	Property Tax	2.752	2.966 (20T)	.178
22.	Federal Income Tax	2.707	2.653 (24)	.726
23.	Fixed Asset Accounting	2.618	2.966 (20T)	.023*
24.	Depreciation	2.544	2.839 (22)	.057
Average		3.516	3.578	

*Alpha less than .05

Note: Responses were converted to mathematical scores as follows:

Extremely important — 5
 Very important — 4
 Important — 3

Somewhat important — 2
Not important — 1

() Ranking of skills by controllers

Table 2
T-Test Results on 1991 Differences in Perceptions Between Managers and Controllers
When Rating the Importance of Managerial Accounting Skills

<u>Rank</u>	<u>Skill</u>	<u>Managers Mean Value</u>	<u>Controllers Mean Value</u>	<u>2-Tail Probability</u>
1.	Operating Budgets	4.511	4.308	.018*
2.	Analysis of Variance	4.325	4.129	.058
3.	Income Statement	4.302	4.425	.268
4.	Financial Forecasting	4.302	4.076	.026*
5.	Pricing	4.161	3.786	.000*
6.	Capital Budgeting	4.011	3.962	.637
7.	Cash Budgeting	4.000	4.090	.418
8.	Inventory Management	3.744	3.647	.327
9.	Break Even Analysis	3.683	3.236	.000*
10.	Internal Auditing	3.672	3.567	.357
11.	Payroll Accounting	3.656	3.647	.942
12.	Sources and Uses of Funds(1)	3.657	3.530	.334
13.	Balance Sheet	3.492	3.636	.287
14.	Flexible Budgets	3.474	3.274	.116
15.	Ratio Analysis	3.382	3.015	.001*
16.	Payroll Tax	2.954	3.149	.180
17.	Property Tax	2.931	3.137	.139
18.	Federal Income Tax	2.885	2.938	.707
Average		3.730	3.642	

(1) Listed as “Cash Flow Statement” in 2005 Study

* Alpha less than .05