



# Adoption of conventional management accounting practices by small and medium enterprises operating in the hotel sector of the Cape Metropole, South Africa

Olwethu Ntshonga\*  
Department of Management Accounting  
Cape Peninsula University of Technology  
Cape Town, South Africa  
Telephone: +27735338723  
Email: [ntshongao@cput.ac.za](mailto:ntshongao@cput.ac.za)

And  
Dr Peter Nasiema Kamala  
Department of Management Accounting  
Cape Peninsula University of Technology  
Cape Town, South Africa  
Email: [Kamalap@cput.ac.za](mailto:Kamalap@cput.ac.za)

Corresponding author\*

## Introduction

South Africa's hotel sector has in the recent years experienced a steady growth and is projected to continue growing, despite the weakening economy (PWC, 2018). Not only has the room occupancy rates risen dramatically from 58.9% in 2013 to 71.1% in 2018, the room rates have also increased dramatically over the period by an average of about 7% with five-star hotels achieving the fastest growth at 12.8% (PWC,2018:16). Given the above exceptional performance of the sector, the country has experienced a dramatic expansion and new investments across all sub-sectors of tourist accommodation, from upscale five-star hotels, to the mid-tier hotels as well as budget hotels such as farm houses and guest houses (PWC, 2014:23). The expansion of the latter has created new business opportunities for Small and Medium Enterprises (SMEs).

Despite the new business opportunities that have been created for SMEs in the hotel sector, the performance of these entities has significantly lagged behind that of large hotels partly due to reluctance of the SMEs to adopt Conventional Management Accounting Practices (CMAPs). These entities, operating as mid-tier and budget hotels, have typically continued to rely on out-dated practices when making critical decisions, that include use of managers' gut feeling, rules of thumb, personal whims, trial and error techniques, which are not only inappropriate in an ever increasingly competitive environment, but also result in haphazard, costly, chaotic, ineffective and often irreversible decisions (Maduekwe, 2015).

By contrast, large hotels have adopted CMAPs that result in effective decisions an aspect that has made them more competitive as they have consistently outperformed their smaller counterparts (Avci, Madanoglu, & Okumus, 2011; Arrosteia, Santos & Gomes, 2013).Key among the practices adopted have included forecasting, budgeting and variance analysis, cost, volume and profit analysis, pricing and revenue techniques, capital budgeting approaches, non-financial performance measurement, cost management and control techniques, working capital management, ratio analysis of departmental financial statements, bench marking and responsibility accounting (Yang, 2014).



Some of the benefits that have been derived by the large hotels from adopting CMAPs that could be available to the SMEs operating in the hotel sector include: accurate and timely financial and statistical information required by hotel managers for day-to-day and other short-term decisions (Matembele, 2014); insightful and user-friendly accounting information for supporting strategic long-term decisions pertaining to identification, evaluation and exploitation of investment opportunities as well as strategic information required to set and achieve strategic goals. CMAPs also have also benefited large hotels by enabling them to prudently plan for the future, evaluate and control their performance by identifying and correcting poor performance, as well as ensuring effective, efficient and optimal utilisation of scarce resources. Furthermore, CMAPs have enabled the large hotels to solve complex problems that undermine the future viability of these businesses, by providing appropriate tools for doing so. Some of the tools availed include budgets, which provide future-oriented information that aid in controlling the performance by highlighting areas in which actual performance deviates from the expected performance, thus enabling appropriate corrective actions to be taken in a timely manner (Anohene, 2011). Budgets also enable the large hotels to coordinate and align their different departments towards shared objectives (John, 2008).

Given that SMEs in general typically lack a success track record, collateral or both, they are perceived as high-risk ventures by lenders and investors (Mutezo, 2015). They, thus, need convincing business plans to raise capital (Abdulsaleh & Worthington, 2013). Tools such as forecasting and budgets can particularly useful to these entities as they can enable them to prepare a coherent and realistic business plan in order to secure capital (Abogun & Fagbemi, 2012). Other tools such as cost, volume and profit analysis, variance analysis, profit analysis, pricing and revenue techniques, can enable SMEs to improve their profitability through pricing and revenue management by selling the right product at the right price to the right customer at the right time (Olatunji, 2013). By so doing, they can enable these entities to maximise their revenue and profitability by targeting profitable customers through loyalty programmes, offering deals, discounts and packages and so on (Wirtz, Kimes, Theng & Patterson, 2003). Through relevant costing techniques, SMEs operating in the hotel sector may also be able to assess whether it is profitable to operate in any particular segment of the sector or not (Pavlatos, 2011). Likewise, the SMEs may use: standard costing, to control their costs by comparing their actual costs against set standard costs; inventory control, to determine the optimal quantity of perishables to order and capital budgeting, to appraise mutually exclusive investment projects that a hotel intends to undertake.

Despite the better performance of the large five-star hotels over SMEs operating in the hotel sector that is partly attributed to their adoption of CMAPs, and the numerous potential benefits that the SMEs can derive from adopting these practices, little evidence exists to suggest that these entities operating in South Africa are embracing the CMAPs (Brijlal, Enow. & Isaacs, 2014; Mjongwana. & Kamala, 2018). In fact, researchers in the country have increasingly expressed their concern regarding the reluctance by mid-tier and budget hotels, that operate as SMEs, to adopt the CMAPs (Jamil & Mohamed, 2013:206). Indeed, anecdotal evidence suggests that these entities rely on outdated techniques such as gut feeling, rules of thumb, and personal whims, trial and error techniques that make them cede their competitive advantage to their larger counterparts (Maduekwe, 2015). Although the adoption of CMAPs by SMEs operating in the hotel sector has been researched extensively in other countries, little has been done in South Africa. This article attempts to fill in the gap in the prior literature by investigating the extent to which SMEs operating in the hotel sector of the Cape Metropole have adopted CMAPs.

## Literature review

Prior studies conducted on the adoption of CMAPs by SMEs operating in the hotel sector of the Cape Metro pole are scarce. For this reason, this section reviews prior studies conducted



on the topic in other countries as well as in South Africa. In one such a study conducted in India, Chand and Ambardar (2013) identified the significant management accounting practices adopted by 100 hospitality enterprises and 100 enterprises from other service sectors, among other objectives. Their study revealed that there was a significant difference between the practices adopted by the hospitality enterprises and those adopted by the enterprises from other service sectors, as the latter sectors had a high percentage of adoption of the practices. Among the management accounting practices adopted by most hospitality enterprises were the use of incremental and non-incremental costs, regression and learning curve technique, budgeting for planning and cost control as well as zero-based budgeting. Other management accounting practices adopted by the hospitality enterprises sampled included, financial measurement of costs pertaining to customers, operations and employees, economic value added as well as the use of Cost, Volume and Profit (CVP) analysis. In addition, the sampled hospitality enterprises used customer and profitability analysis, non-discounted as well as discounted methods of investment appraisals. Also used were long-range forecasting, product life cycle analysis, SWOT analysis as well as integration of accounting with supplier's and customers' value chains. However, Chand and Ambardar's (2013) study was conducted in India, did not provide the percentages of adoption of the management accounting practices, did not investigate the perceived usefulness of the practices and whether there were any factors that deterred the sampled enterprises from adopting the practices. Besides, their study neither specifically focused on hotels nor SMEs.

In a similar study conducted in Portugal, Santos, Gomes and Arroteia (2012) investigated the adoption of management accounting practices by 35 hotels, both small and large, with an aim of determining the practices adopted. Santos's et al.'s (2012) study revealed that 85.7% (30) of the sampled hotels had implemented and used management accounting practices, while 14.3% (5) had not done so. Those that had not implemented the practices were all small in size. Of the management accounting practices adopted, the ones that were used by most hotels were traditional management accounting techniques like budgeting (76.7%), budget deviation analysis (66.7%), strategic planning (66.7%) and sales break-even analysis (60%). Regarding the contemporary management accounting techniques, the ones that were used by most hotels were activity based budgets (60%), activity based costing (46.7%) and benchmarking (40%).

In a more recent study, El-Shishini (2017) investigated the use of management accounting techniques by 37 large and small hotels in Bahrain. His study revealed that the technique used by most of the sampled companies was benchmarking (91.9%), followed by absorption costing (91.5%), and then budgeting for coordinating organisational activities (89.2%). Other techniques that were used by a majority of the sampled companies were economic value added (78.4%), customer profitability analysis (70.3%), budgeting for strategic planning (67.7%), cost -volume-profit analysis (62.2%), the Balanced Scorecard (59.5%), growth in sales and income (59.5%), industry analysis (59.4%), zero-based budgeting (56.8%) and residual income (51.3%). The study also found a positive relationship between the intensity of competition in the hotel sector and the adoption of management accounting techniques. However, no relationship was discerned between the size of hotels and the adoption of management accounting techniques. Likewise, no relationship was found between the quality of hotels and the adoption of the techniques. The researchers concluded that the adoption of traditional management accounting techniques was higher than the adoption of the more modern management accounting techniques.

In a related study conducted in Thailand, Penpichcha and Nitirojntanad (2016) compared the use of management accounting practices by medium size hotels to large size hotels, using a sample of 245 hotels. They divided the management accounting practices into six categories, namely; costing methods, cost measurement, decision-making analysis, financial ratio analysis, budgetary planning and performance evaluation. With regard to costing methods, the researchers found that there was no difference in the use of absorption costing between



large and medium size hotels, but the large size hotels had a higher usage of variable costing and activity based costing than their medium size counterparts. Concerning cost measurement, no difference was discerned in the use of normal cost, but the large size hotels had a higher usage of actual cost and standard cost than their medium sized counterparts. As far as decision-making analysis techniques are concerned, the researchers did not discern any difference between the two categories of hotels in the use of payback period, net present value and average rate of return methods. However, the large size hotels had a higher usage of break-even analysis, economic order quantity, and internal rate of return than their medium-size counterparts.

With respect to financial ratio analysis, the researchers did not find any difference between the two categories of hotels in the use of capital structure analysis, however large size hotels had a higher usage of liquidity analysis, operational efficiency analysis and profitability analysis, than their medium size counterparts. Regarding budget planning, no difference was found between the two categories of hotels in the use of long-term budgetary planning and flexible budgets, however the medium size hotels had a higher usage of short-term budgetary planning than their large size counterparts. Pertaining to performance evaluation, no difference was found between the two categories of hotels in the use of standard costing variance analysis and responsibility accounting, however the large size hotels had a higher usage of performance measurement and return on investment than the medium size hotels. The researchers concluded that both large and medium size hotels alike used traditional management accounting techniques that are listed above.

In yet another related study, Pavlatos and Paggios (2015) investigated the management accounting practices of 85 leading hotels in Greece. Their study categorised the management accounting practices into five categories, namely; cost accounting, budgeting, performance evaluation, and information for decision-making and strategic analysis. With regard to cost accounting, the practice adopted by most of the sampled hotels was absorption costing (65.9%). As far as budgeting is concerned, the practices adopted by most of the hotels were budgeting for; planning annual operation (98.8%), controlling cost (91.8%), coordinating activities (80%) and evaluating the performance of managers (64.7%). Concerning performance evaluation, the practices adopted by most of the hotels were measuring profitability using operating profit and revenue growth (100%), as well as using non-financial performance measures related to customers (63.5%). With respect to information for decision-making, most of the hotels used product profitability analysis (94.1%) and customer profitability analysis (70.6%). Pertaining to strategic analysis, most of the sampled hotels used industry analysis (48.2%). The researchers opined that the adoption of traditional management accounting techniques by the sampled hotels was higher than the recently developed tools (modern techniques).

Elsewhere in Indonesia, Sunarni (2014) investigated the management accounting practices of 61 small and large hotels. He found that the practices adopted by most of the sampled hotels were budgeting for controlling costs (93.44%), measurement of profitability using income and sales growth (93.44%), non-financial performance measurement pertaining to customers' perspective (90.16%), analysis of competitors' strengths and weaknesses (90.16%), budgeting for coordinating operational activities (88.52%), customer and product profitability analysis (81.97%), non-financial performance measurement pertaining to employees' (80.33%) and innovation perspectives (77.05%). Other management accounting practices adopted by the sampled hotels included long-range forecasting (75.41%), activity based budgeting (75.41%), flexible budgeting (72.13%), analysis of competitive position (70.49%), return on investment (68.85%), long-term budgeting (68.85%), industry analysis (65.57%), relevant cost analysis (63.93%) and benchmarking (60.66%). The study further revealed that five star hotels had adopted contemporary management accounting practices than the four, three and two star hotels.



Legaspi (2018) conducted a study on management accounting practices of SMEs in the Philippines and found that product or service costing for pricing analysis, break-even analysis and working capital measurement were deemed to be suitable, useful for providing information for decision-making and were thus the most commonly used practices by the sampled SMEs. Some of the sampled SMEs adopted budgets for planning and control systems, responsibility accounting system as well as cost volume profit analysis. The study also revealed that formal budgeting was regarded as the most suitable practice for SMEs as well as standard costing and variance analysis, which aided SMEs to track and control operational costs effectively. Most of the sampled SMEs also considered the Balance Scorecard as a useful tool for their organisations' performance measurement, despite the lack of skills to among the sampled SMEs to operationalise this tool (Legaspi, 2018).

So far all the studies reviewed were conducted outside South Africa. In a unique study conducted in the country, Maduekwe (2015) investigated the adoption of management accounting practices by 92 SMEs operating in the Fast Moving Goods (FMCG) Sector of the Cape Metropole. The findings revealed that 79.35% of the sampled entities used a variety of budgets, but 20.65% did not do the same. The study also found that 82.61% of the sampled entities used a variety of performance measurement tools, but 17.39% did not do the same. Likewise, 82.61% of the sampled entities used a variety of pricing tools, but 17.39% did not do the same. Although relevant, Maduekwe's (2015) study was conducted in the FMCG Sector, only focused on three practices, thus its findings may not reflect the management accounting practices of SMEs operating in the FMCG sector, let alone the hotel sector in South Africa.

In another local but more recent study, Mjongwana (2018) investigated the use of non-financial performance measures by SMEs operating in the hotel sector, in the Cape Metropole. Using a sample size of 100 SMEs. The findings of the study revealed a high uptake of customer oriented measures and business process oriented measures, but a low adoption of learning and innovation related measures. Although informative, Mjongwana's (2018) study only focused on non-financial performance measures thus ignored a plethora of other management accounting practices adopted by SMEs operating in the hotel sector.

## **Methodology**

A self-administered closed-ended questionnaire survey was used to collect data from owners, managers and accountants of the SMEs. These were deemed to be the decision-makers of SMEs who were expected to be familiar with the adoption of CMAPs in their respective entities. Both descriptive and inferential statistics were used to analyse the data collected from the questionnaire. Given that the population of SMEs operating in the hotel sector of the Cape Metropole is unknown, target sample size of 100 hotels was set as a similar sample size has been used successfully in other similar studies (Maduekwe, 2015; Bruwer, 2010:30). Accordingly, 100 representatives of SMEs were included in the sample as sampling units. To draw the sample, purposive sampling was used. The technique was deemed to be suitable for this study as it entails drawing a sample from that part of the population that has the attributes that serve the purpose of a study (Bruwer 2010:30; Maduekwe, 2015).

## **Response rate and test for non-response bias.**

To meet the target sample size of 100 SMEs, the researcher hand-delivered 150 questionnaires to SMEs in the hotel sector in Cape Metropole. Out of the 150 questionnaires distributed, only 100 were returned as 15 of the potential respondents declined to complete the questionnaire although they had consented to do so. Another 35 questionnaires had been misplaced by the hotel staff due to the changes in work shifts associated with the hotel sector.



Therefore, out of the 150 questionnaires distributed, the researcher managed to collect 100 completed questionnaires, resulting in a response rate of 67%.

## **Results and discussions**

### **Respondents' personal and business profile**

The respondents were asked to provide information on their personal profiles relating to their position in the business, tenure in the current position, highest level of education, and whether the highest level of education was accounting related. The business profile information requested included: length of time that the business has been operating, number of employees, and number of rooms in the hotel. This information was meant to ensure that only the appropriate respondents are selected to participate in the survey and that those selected have different characteristics to minimise non-response bias.

With regard to respondents' position in their business, 39% were managers, 24% were owners, while another 24% were both owners and managers. Only 13% of respondents were accountants (see Table 1). The results thus show that only the targeted decision-makers of SMEs participated in the survey. Concerning the number of years that the respondents had been in their current position, 39% of the respondents had been in their current position for between one and five years, 27% between six and 10 years, while 25% had been in their position for more than 10 years. Only 9% had been in their current position for less than one year. These results suggest that 52% of the respondents had more than six years of experience in their respective positions and thus were expected to be knowledgeable about the operations of their business.

As far as how long the respondents' businesses had been operating is concerned, the results indicated that 35% of the businesses had been operating for more than 10 years (see Table 1), 31% had been operating for between one and five years, while 25% had been operating for between six and 10 years. Only 9% had been operating for less than one year. The above results suggest that 60% of the businesses had been operating for more than 6 years and thus should have been in a position to determine their management accounting information needs as well as the suitability of various CMAPs for their businesses.

Regarding highest level of education, the results revealed that 57% of the respondents had a diploma (see Table 1), while 26% had a bachelor's degree. Of the respondents, 8% had a matric qualification, while 7% had attended short courses. Only 2% had a master's degree. Based on these results, most of the respondents (85%) had at least a diploma qualification, which means that they were well educated thus should have been in a position to competently complete the questionnaire.

With regard to whether the highest level of qualification was accounting related, 50% indicated their qualification was accounting related, while 50% of the respondents' indicated that their highest level of education was not accounting related (see Table 1). Although half of the respondents' highest level of education was not accounting related, the other half of the respondents had accounting related qualifications and thus should have been familiar with the CMAPs.

In relation to the number of employees of the sampled SMEs, the results indicated that 44% of the businesses had 11 to 20 employees, while 22% indicated that their businesses had 6 to 10 employees. Of the respondents, 13% indicated that their hotels had 21 to 50 employees, while 12% indicated that their businesses had 1 to 5 employees. Only 9% of the respondents indicated that their businesses had 51 to 100 employees. Therefore, 88% of the sampled



businesses can be classified as SMEs (with more than 5 employees but less than 100 employees), thus were the suitable participants for this study.

As far as the number of rooms is concerned, the results indicated that 99% of the businesses had less than 100 rooms. Only 1% of the respondents indicated that their businesses had 100 to 300 rooms.

**Table 1: Respondents' personal and business profile**

	Number of respondents	Percentage
Position in the business		
Owner	24	24
Manager	39	39
Owner and manager	24	24
Accountant	13	13
Respondents years of experience		
Less than 1 year	9	9
1-5 years	39	39
6-10 years	27	27
Above 10 years	25	25
How long has the business been in existence		
Less than 1 year	9	9
1-5 years	31	31
6-10 years	25	25
Above 10 years	35	35
Respondents highest level of education		
Matric	8	8
Short course	7	7
Diploma	57	57
Bachelor/Degree	26	26
Masters	2	2
Whether highest qualification was accounting related		
Yes	50	50
No	50	50
Number of employees		
1-5	12	12
6-10	22	22
11-20	44	44
21-50	13	13
51-100	9	9
Number of rooms		
Less than 100	99	99
100-300	1	1

(Source: Own source)

The above personal profile of respondents and that of their SMEs suggests that a heterogeneous group of respondents had been selected to participate in this study as the respondents held different positions, had different levels of qualification, different academic background and worked in varied sizes of hotels. Accordingly, one can conclude that respondents of different persuasions had answered the questionnaire. This, alongside the high response rate of 67%, suggests that non-response bias, which is typically associated with questionnaire surveys had been minimised.

### **Adoption of CMAPs by the sampled SMEs**

Respondents were asked to indicate, using a “Yes” or “No” response whether their business had adopted any of the 23 CMAPs deemed to be suitable for SMEs operating in the hotel sector. These included: forecasting, Budgeting, Variance analysis (analysis of deviation from budgets and standard costs), Cost, volume and profit analysis to determine the break-even point, Cost plus pricing techniques (using cost as the basis for determining prices), Capital budgeting approaches (to allocate funds available to competing investment alternatives), Financial and non-financial performance measurement techniques, Industry competitor analysis, Cost management and control techniques, Working capital management techniques, Ratio analysis of departmental financial statements, Benchmarking against competitors, Financial and non-financial performance evaluation of each manager and the department managed, Activity based costing (billing customers according to the activities they undertake in the hotel rather than a flat rate), Setting and pursuing set targets of costs, Product life cycle analysis (monitoring the cost of a service rendered from its commencement to when it is discontinued), Elimination of non-added activities to the service rendered, Theory of constraints (an optimal resource utilisation technique), Continuous cost reduction techniques (Kaizen costing), What if analysis (analysis of most probable scenarios), Real time performance indicator dash boards (Tableau de bord), Ordering of optimal inventory (economic order quantity) and Ordering inventory as and when required (just in time system). As shown in Figure 1, 70% of the respondents indicated that their businesses had adopted CMAPs while 30% of indicated that their businesses had not adopted CMAPs.

Has the business adopted any of management accounting practices listed in question 9?

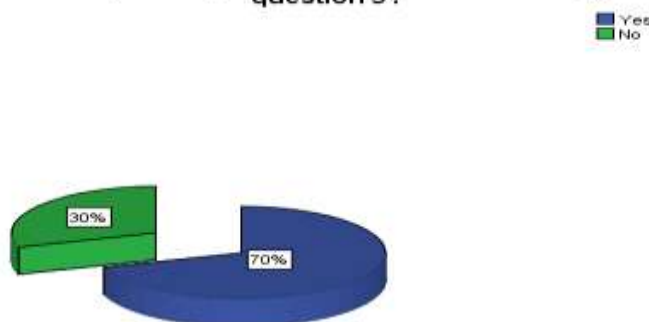


Figure 1. Adoption of CMAPs

### The extent of usage of CMAPs by the samples SMEs

Respondents were asked to indicate the extent to which their businesses used the 23 CMAPs deemed to be suitable for SMEs operating in the hotel sector. For this purpose, a five-point Likert scale was used with weightings of one for never, two for some extent, three for moderate extent, four for great extent and five for very great extent. Accordingly, the closer the mean was to five, the more the respondents agreed with the statement.

For the sake of clarity and conciseness, the percentages of those who indicated that their businesses used CMAPs to a great extent or very great extent were added and included in the second column of Table 2, under the title “percentage that used the CMAP to a great extent”. In addition, those who indicated that their business used a CMAP to a moderate extent were excluded as the words “moderate use” suggest usage to a lesser extent. This approach is justified as it ensures that only those that indicated that their businesses used CMAPs to a great extent or very great extent are reported as such. The results are shown in Table 2.





As shown in Table 2, the CMAP that was used to the greatest extent by most of the sampled SMEs was budgeting (59%). All other CMAPs were only used to a great extent by a minority of the SMEs. These included variance analysis (42%), cost, volume and profit analysis to determine the break-even point (42%), cost plus pricing techniques (39%), financial and non-financial performance measurement techniques (36%), industry competitor analysis (36%), forecasting (35%), capital budgeting approaches ((35%) and benchmarking against competitors (35%). Other CMAPs that were used to great extent but by a lesser percentage of SMEs included working capital management techniques (34%), theory of constraints (33%), what if analysis (33%), Kaizen costing (32%), elimination of non-added activities (31%), and just in time system (31%). The rest of the CMAPs were only used, to a great extent, by a smaller percentage of SMEs as shown in Table 2. The mean values of the above results mirrored the above percentages. The standard deviations of more than one for the use of 15 out of 23 CMAPs indicate disagreement in the responses of the respondents.

In sum, only one of the CMAPs was used to a great extent by more than 50% of the SMEs, which is quite ironic given that at least 50% of the sampled SMEs' representatives indicated that all the 23 CMAPs were suitable to their businesses.

The preceding results of this study differ from the findings of El-Shishini (2017) who noted a greater extent of usage of CMAPs as benchmarking was used by 91,9% of the sampled companies in that study, absorption costing was used by 91,5%, while budgeting for coordinating organisational activities was used by 89,2%. A probable explanation for the difference is that El-Shishini's (2017) study sampled both large and small hotels in Bahrein, while the current study sampled SMEs. The preceding results of this study are however consistent with the findings of Sunarni (2015) who noted that budgeting for controlling costs was the most extensively used type of CMAP by small and large hotels in Indonesia.

The above results also support the contingency theory which reiterates that there is therefore a positive relationship between the size of the entity and adoption of complex management accounting practices. The nature and reason for adoption is also impacted by the size of an entity. SMEs being small, tend to use CMAPs to a lesser extent than their larger counterparts.

**Table 2.** The extent of usage of CMAPs

CMAPs	Percentage that use the CMAP to a great extent	Respondents	Standard deviation
		N = 100	
	Great extent	Mean	
i. Forecasting	35%	3.73	.883
ii. Budgeting	59%	4.19	.767
iii. Variance analysis (analysis of deviation from budgets and standard costs)	42%	3.73	.679
iv. Cost, volume and profit analysis to determine the break-even point	42%	3.63	.802
v. Cost plus pricing techniques (using cost as the basis for determining prices)	39%	3.60	.923



vi.	Capital budgeting approaches (to allocate funds available to competing investment alternatives)	35%	3.40	.954
vii.	Financial and non-financial performance measurement techniques	36%	3.43	.926
viii.	Industry competitor analysis	36%	3.44	1.016
ix.	Cost management and control techniques	42%	3.49	1.004
x.	Working capital management techniques	34%	3.29	.965
xi.	Ratio analysis of departmental financial statements	30%	3.27	1.062
xii.	Benchmarking against competitors	35%	3.33	1.139
xiii.	Financial and non-financial performance evaluation of each manager and the department managed	27%	3.11	1.071
i.	Activity based costing (billing customers according to the activities they undertake in the hotel rather than a flat rate)	30%	3.19	1.107
ii.	Setting and pursuing set targets of costs	29%	3.14	1.107
iii.	Product life cycle analysis (monitoring the cost of a service rendered from its commencement to when it is discontinued)	25%	3.04	1.069
iv.	Elimination of non-added activities to the service rendered	31%	3.09	1.100
v.	Theory of constraints (an optimal resource utilisation technique)	33%	3.06	1.141
vi.	Continuous cost reduction techniques (Kaizen costing)	32%	3.26	1.138
vii.	What if analysis (analysis of most probable scenarios)	33%	3.17	1.090
viii.	Real time performance indicator dash boards (Tableau de bord)	30%	3.23	1.079



ix.	Ordering of optimal inventory (economic order quantity)	29%	3.13	1.128
x.	Ordering inventory as and when required (just in time system)	31%	3.21	1.166

Scale: 1=not at all, 5=very great extent. (Source: Filed work).

## Conclusion

The aim of this paper was to determine the extent to which SMEs operating in the hotel sector of the Cape Metropole have adopted CMAPs. The results of the study showed that 70% of the sampled SMEs had adopted some of the CMAPs, while 30% had not adopted any of these practices. The results of the study further revealed that the CMAP adopted by most of the SMEs was budgeting. The rest of the CMAPs had been adopted by a minority of the SMEs. These include: variance analysis, cost volume and profit analysis, cost plus pricing techniques, and non-financial performance measurement techniques. Other CMAPs adopted by an even lesser percentage of the SMEs were industry competitor analysis, forecasting, capital budgeting, benchmarking, working capital management, theory of constraints, what if analysis, Kaizen costing, elimination of non-added activities, and just in time system.

This study does not only fill in the gap in the literature on the adoption of CMAPs by SMEs operating in the hotel sector in South Africa, it also provides critical insights on the topic, which could inform future government interventions meant to improve the adoption of CMAPs to enhance the performance of these entities. The findings may also aid SMEs to benchmark their adoption of CMAPs to that of their peers, with an aim to improve their adoption rate of these practices.

## References

- Abdulsaleh, A.M. and Worthington, A.C., 2013. Small and medium-sized enterprises financing: A review of literature. *International Journal of Business and Management*, 8(14):36-54.
- Abogun, S. and Fagbemi, T.O., 2012. The efficacy of budgeting as a control measure in developing economies. *A study from Nigeria. Asian Social Science*, 8(1): 176-182.
- Anohene, J., 2011. Budgeting and budgetary control as management tools for enhancing financial management in local authorities, Afigya Kwabre District Assembly as a case study (Doctoral dissertation). Kwame Nkrumah University of Science and Technology.
- Arroteia, N., Santos, L.L. and Gomes, C., 2013. The relationship between the management accounting techniques and the decision making in Portuguese hotels. *Tourism research group*, 1-25.
- Avci, U., Madanoglu, M. and Okumus, F., 2011. Strategic orientation and performance of tourism firms: Evidence from a developing country. *Tourism Management*, 32(1):147-157.
- Brijlal, P., Enow, S. and Isaacs, E.B., 2014. The use of financial management practices by small, medium and micro enterprises: a perspective from South Africa. *Industry and Higher Education*, 28(5):341-350.



Bruwer, J.P., 2010. Sustainability of South African FMCG SMME retail businesses in the Cape Peninsula (Doctoral dissertation). Cape Town. Cape Peninsula University of Technology.

Chand, M. and Ambardar, A., 2013. Management accounting practices in hospitality and service enterprises: A comparative research. *Journal of Commerce & Accounting Research*, 2(3):1-9.

El-Shishini, H.M., 2017. The Use of Management Accounting Techniques at Hotels in Bahrain. *Review of Integrative Business and Economics Research*, 6(2):64-77.

Jamil, C.Z.M. and Mohamed, R., 2013. The effect of management control system on performance measurement system at small medium hotel in Malaysia. *International Journal of Trade, Economics and Finance*, 4(4):202-208.

John, A.O., 2008. Budgetary and management control process in manufacturing: case of Guinness Nigeria PLC. Unpublished Master's Thesis. Vasteras Sweden. Malardalen University.

Legaspi, J.L.R., 2018. Management accounting practices of the Philippines small and medium-sized enterprises. *European Journal of Business, Economics and Accountancy*, 6(3):71-91.

Maduekwe, C.C., 2015. The usage of management accounting tools by small and medium enterprises in Cape Metropole, South Africa (Doctoral dissertation). Cape Town. Cape Peninsula University of Technology.

Matembele, K., 2014. Management accounting tools providing sustainability information for decision making and its influence on financial performance. <[uir. unisa. ac. za/handle/10500/18990](http://uir.unisa.ac.za/handle/10500/18990)> Accessed 23 January 2017.

Mjongwana, A. and Kamala, P.N., 2018. Non-financial performance measurement by small and medium sized enterprises operating in the hotel industry in the city of Cape Town. *African Journal of Hospitality, Tourism and Leisure*, 7(1):1-26.

Mutezo, A.T., 2015. Small and medium enterprise financing and credit rationing: the role of banks in South Africa (Doctoral dissertation). Pretoria. University of South Africa.

Olatunji, T.E., 2013. The Impact of Accounting System on the Performance of Small and Medium Scale Enterprises in Nigeria—A Survey of SME's In Oyo State-Nigeria. *International Journal of Business and Management Invention*, 2(9):13-17.

Pavlatos, O. and Paggios, I., 2015. Management accounting practices in the Greek hospitality industry. *Managerial Auditing Journal*, 24(1):81-98.

Pavlatos, O., 2011. The impact of strategic management accounting and cost structure on ABC systems in hotels. *The Journal of Hospitality Financial Management*, 19(2):37-55.

Penpichcha, K. S., & Nitirojntanad. 2016. Management Accounting Practices in Thailand. Proceedings of the Fourth European Academic Research Conference on Global Business, Economics, Finance and Banking, EAR 16 Swiss Conference. July.

PwC (Price Water Coopers), 2014. Passport to Africa. Hospitality outlook: 2014-2018 South Africa – Nigeria – Mauritius – Kenya, 4<sup>th</sup> edition June 2014. <<https://www.pwc.co.za/en/assets/pdf/hospitality-outlook-2014.pdf>> Accessed 3 March 2018.



PwC (Price Water Coopers), 2018. Positioning for Future Growth. Hotels outlook: 2018 – 2022 South Africa - Nigeria – Mauritius – Kenya – Tanzania. <<https://www.pwc.co.za/en/assets/pdf/hotels-outlook-18-2022.pdf>> Accessed 1 March 2018.

Santos, L., Gomes, C. & Arroiteia, N. 2012. Management Accounting Practices in the Portuguese Lodging Industry. *Journal of Modern Accounting and Auditing*, 8(1):1-14.

Sunarni, N., 2014. Analyzing the Implementation of Raw Material Inventory Procedure in Supporting the Effectiveness of Internal Control (Study at Pg Ngadiredjo Kras–Kediri). *Jurnal Administrasi Bisnis*, 9(2): 1-19.

Wirtz, J., Kimes, S.E., Theng, J.H.P. and Patterson, P., 2003. Revenue management: resolving potential customer conflicts. *Journal of Revenue and Pricing Management*, 2(3):216-226.

Yang, Y., 2014. A Study of Hotel Management Financial Competencies with the Focus on Revenue and Cost Management (Doctoral dissertation). Kent. Kent State University.