

**ADOPTION OF CONVENTIONAL MANAGEMENT ACCOUNTING PRACTICES BY
SMALL AND MEDIUM ENTERPRISES OPERATING IN THE HOTEL SECTOR OF
THE CAPE METROPOLE**

By

NTSHONGA OLWETHU

Thesis submitted in fulfilment of the requirements for the degree

Master of Management Accounting

In the Faculty of Business and Management Sciences

At the Cape Peninsula University of Technology, Cape Town

Supervisor: Dr. Peter Kamala

Cape Town

August 2019

CPUT copyright information

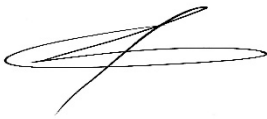
The dissertation/thesis may not be published either in part (in scholarly, scientific or technical journals), or as a whole (as a monograph). Unless permission has been obtained from the University.

DECLARATION

I, OLWETHU NTSHONGA declare that the contents of this dissertation/thesis represent my own unaided work, and that the dissertation/thesis has not previously been submitted for academic examination towards any qualification. Furthermore, it represents my own opinions and not necessarily those of the Cape Peninsula University of Technology.

Olwethu Ntshonga

August 2019



12 August 2019

Signed

Date

ABSTRACT

Small and Medium Enterprises (SMEs) operating in hotel sector are perceived to be underperforming partly due to their failure to adopt Conventional Management Accounting Practices (CMAPs). This study sought to determine the extent to which SMEs operating in the hotel sector of the Cape Metropole have adopted CMAPs. Specifically, the study aimed to assess the suitability of CMAPs to SMEs, the extent for which SMEs have adopted CMAPs, the perceived usefulness of the CMAPs adopted, and the factors that inhibit SMEs from adopting CMAPs. The study was motivated by a lack of research on the adoption of CMAPs by SMEs operating in the hotel sector. Data was collected by means of a self-administered questionnaire survey. Purposeful sampling method was employed to draw the sample of 100 respondents.

The findings of the study revealed that CMAPs are perceived to be suitable for the sampled SMEs as most of these entities need accounting information to: analyse their risks and uncertainty, optimise on their utilisation of scarce resources and require accurate data on costs of various products. As far as the extent of adoption of CMAPs is concerned, the study revealed that although most of the sampled SMEs had adopted some of the CMAPs, budgeting was the only CMAP that was used to great extent by a majority of the sampled SMEs. Other CMAPs, such as variance analysis, and cost, volume and profit analysis were only used by a minority of the sampled SMEs.

Concerning the perceived usefulness of the CMAPs adopted, the findings of the study also revealed that only budgeting and forecasting were perceived to be useful by a majority of the sampled SMEs. Other CMAPs such as variance analysis were only perceived to be useful by only a minority of the sampled SMEs. The findings further revealed that most of the sampled SMEs faced various factors that inhibited them from adopting CMAPs. Key among the factors were a lack of skills to adopt CMAPs as well as a lack of resources.

This study does not only contribute significantly to the literature on the adoption of CMAPs by filling in the gap in the literature in the South African context. The study also provides invaluable insights on the adoption of CMAPs which should be of value to the Department of Small Business Development and Small Enterprises Development agency (SEDA), as the findings can inform their interventions aimed at reducing the high failure rate of SMEs in South Africa, by for instance developing a CMAPs training programme for SMEs. The findings may also assist SMEs to

improve their adoption of CMAPs with a view to optimising the benefits derived, as well as overcoming the factors that inhibit them from adopting CMAPs.

ACKNOWLEDGEMENTS

I would like to give thanks to my supervisor DR. Peter Kamala for being a tremendous mentor, for tirelessly advising, motivating and guiding me throughout this journey. A special thank you to my grandmother and my aunt who have been there to respond to my every cry for help and for all the sacrifices they have made to make it possible for me to be able to complete this study. Last but not least, I thank God almighty for giving me strength and making it possible for me to complete the study.

DEDICATION

I dedicate this thesis to my grandmother, who has instilled in me a spirit of hard work and commitment and my mother who has encouraged me to always seek to achieve more and never stop improving myself.

TABLE OF CONTENTS

CHAPTER 1	1
BACKGROUND AND PROBLEM STATEMENT	1
1.1 BACKGROUND TO RESEARCH PROBLEM	1
1.2 RATIONALE OF THE STUDY	4
1.3 STATEMENT OF RESEARCH PROBLEM	5
1.3.1 Problem statement.....	5
1.3.2 Purpose statement.....	5
1.4 RESEARCH QUESTION, SUB-QUESTIONS AND OBJECTIVES	5
1.5 RESEARCH DESIGN	7
1.5.1 Research paradigm	7
1.5.2 Population, sample and sampling method.....	7
1.5.3 Data collection and analysis.....	7
1.6 DELINEATION OF RESEARCH.....	8
1.7 SIGNIFICANCE OF THE RESEARCH	8
1.8 LIMITATIONS AND CONSTRAINTS.....	9
1.9 CONTRIBUTION OF RESEARCH.....	9
1.10 OUTLINE OF THE STUDY	10
CHAPTER 2	11
LITERATURE REVIEW	11
2.1 INTRODUCTION.....	11
2.2 DEFINITION OF CMAPS AND DISCUSSION OF THEIR IMPORTANCE	11
2.2.1 Definition of CMAPs.....	11
2.2.2 Importance of CMAPs to hotels	13

2.3	DEFINITION OF SMES AND DISCUSSION OF THEIR IMPORTANCE TO THE SOUTH AFRICAN ECONOMY	14
2.3.1	Definition of SMEs	14
2.3.2	Importance of SMEs to the South African economy	16
2.4	IMPORTANCE OF THE HOTEL SECTOR TO THE SOUTH AFRICAN ECONOMY	17
2.5	ADOPTION OF CMAPS BY SMES OPERATING IN THE HOTEL INDUSTRY	18
2.6	GAPS IDENTIFIED IN PRIOR LITERATURE AND RESEARCH QUESTIONS THAT HAVE REMAINED UNANSWERED	26
2.7	CONTINGENCY THEORY	27
2.8	SUMMARY AND CONCLUSIONS	28
CHAPTER 3		30
RESEARCH DESIGN AND METHODOLOGY		30
3.1	INTRODUCTION.....	30
3.2	DISCUSSION AND JUSTIFICATION OF THE RESEARCH PARADIGM ADOPTED IN THE STUDY	31
3.3	JUSTIFICATION FOR THE QUESTIONNAIRE SURVEY METHODOLOGY	32
3.4	RESEARCH POPULATIONS, SAMPLE AND SAMPLING TECHNIQUE	33
3.4.1	Research population and sample	33
3.4.2	Sampling technique.....	33
3.5	DESIGN OF THE QUESTIONNAIRE	34
3.5.1	General description of the questionnaire design.....	34
3.5.2	Description of the specific sections in the questionnaire	34
3.5.3	Section A: Respondent and business profile.....	35
3.5.4	Section B: Suitability of conventional management accounting practices to SMEs operating in the hotel sector	35

3.5.5	Section C: Extent of adoption of conventional management accounting practices	36
3.5.6	Section D: Perceived usefulness of conventional management accounting practices	36
3.5.7	Section E: Factors that inhibit the business from adopting conventional management accounting practices.....	36
3.6	PILOT STUDY	37
3.7	DATA COLLECTION PROCESS	37
3.8	DESCRIPTION OF DATA ANALYSIS METHODS ADOPTED.....	38
3.8.1	Descriptive statistics	38
3.8.2	Inferential statistics	39
3.9	MEASURES TO ENSURE RELIABILITY AND VALIDITY	39
3.9.1	Reliability for the research instrument.....	39
3.9.2	Internal validity.....	41
3.9.3	Construct validity	41
3.9.4	Content validity	42
3.9.5	External validity	42
3.10	LIMITATIONS OF THE QUESTIONNAIRE SURVEY.....	43
3.11	ETHICAL CONSIDERATIONS	44
3.11.1	Informed consent.....	44
3.11.2	Confidentiality and anonymity	45
3.12	SUMMARY AND CONCLUSIONS	45
CHAPTER 4	47
ANALYSIS AND DISCUSSION OF RESULTS	47
4.1	INTRODUCTION	47
4.2	RESTATEMENT OF RESEARCH OBJECTIVES	47

4.3	RESPONSE RATE	47
4.4	RESPONDENTS' PERSONAL AND BUSINESS PROFILE.....	48
4.4.2	Number of years in the above position	50
4.4.3	Number of years that their business had been operating	52
4.4.4	Highest level of education.....	53
4.4.5	Whether the highest level of education was accounting related.....	55
4.4.6	Business number of employees	56
4.4.7	Number of rooms in the hotel	57
4.4.8	Non-response bias	59
4.5	SUITABILITY OF CMAPS	59
4.6	EXTENT OF ADOPTION OF CMAPS	68
4.7	PERCEIVED USEFULNESS OF CMAPS	73
4.8	FACTORS THAT INHIBIT THE BUSINESS FROM ADOPTING CMAPS	77
4.9	SUMMARY AND CONCLUSIONS	81
CHAPTER 5		82
SUMMARY AND CONCLUSIONS		82
5.1	INTRODUCTION.....	82
5.2	CHAPTER 1 – RESEARCH PROBLEM, MAIN QUESTION, SUB-QUESTIONS AND OBJECTIVES	83
5.2.1	Problem statement.....	83
5.2.2	Purpose of this study.....	83
5.2.3	Main research question.....	83
5.2.4	Research sub-questions.....	84
5.2.5	Research objectives.....	84

5.3 CHAPTER 2 – SUMMARY AND CONCLUSION OF PRIOR LITERATURE ON THE ADOPTION OF CMAPS..... 84

5.4 CHAPTER 3 – SUMMARY AND CONCLUSION OF RESEARCH DESIGN AND METHODOLOGY 85

5.5 CHAPTER 4 – SUMMARY OF ANALYSIS AND DISCUSSION OF RESULTS 86

5.6 RECOMMENDATIONS 87

5.7 CONTRIBUTION AND SIGNIFICANCE OF THE STUDY 88

 5.7.1 Contribution of the study..... 88

 5.7.2 Significance of the study 88

5.8 LIMITATIONS OF THE STUDY 89

5.9 SUGGESTIONS FOR FURTHER STUDIES 90

LIST OF TABLES

Table 1. 1: Research questions, methods and objectives.....	6
Table 2. 1: Classification of SMEs in South Africa	15
Table 2. 2: Classification of SMEs for the purpose of this study.....	16
Table 3. 1: Cronbach Alpha Testing (Source: Own Source).....	40
Table 4. 1: Response rate.....	48
Table 4. 2: Position in the business.....	49
Table 4. 3: Respondents years of experience.....	51
Table 4. 4: How long has the business been in existence	52
Table 4. 5: Respondents highest level of education.....	54
Table 4. 6: Whether highest qualification was accounting related	55
Table 4. 7: Number of employees.....	56
Table 4. 8: Number of rooms	58
Table 4. 9: Statements for assessing suitability of CMAPs to SMEs	61
Table 4. 10: How suitable are the following CMAPs to the business	66
Table 4. 11: The extent of usage of CMAPs.....	71
Table 4. 12: How useful are the following CMAPs to the business	74
Table 4. 13: Factors that inhibit respondents' business for adopting CMAPs.....	79

LIST OF FIGURES

Figure 4. 1: Position in the business 50
Figure 4. 2: Respondents years of experience 51
Figure 4. 3: How long has the business been operating..... 53
Figure 4. 4: Respondents highest level of education. 54
Figure 4. 5: Qualification accounting related. 56
Figure 4. 6: Number of employees. 57
Figure 4. 7: Number of rooms..... 58
Figure 4. 8: Adoption of CMAPs..... 69
Figure 4. 9: Whether there are factors that inhibit SMEs from adopting CMAPs..... 77

APPENDICES

Appendix A: PERMISSION LETTER 98
Appendix B: QUESTINNAIRE.....99

GLOSSARY

Abbreviation

Definitions/Explanations

SMEs	Small and Medium Enterprises
CMAPs	Conventional Management Accounting Practices
DSBD	Department of Small Business Development
SEDA	Small Enterprise Development Agency

CHAPTER 1

BACKGROUND AND PROBLEM STATEMENT

1.1 BACKGROUND TO RESEARCH PROBLEM

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 (Pricewaterhouse Coopers, 2014:23). The expansion of the latter has created new business opportunities for Small and Medium Enterprises (SMEs).

To obtain and maintain a competitive advantage over their smaller counterparts, large five-star hotels have adopted Conventional Management Accounting Practices (CMAPs) that provide the information required for effective decision-making (Arroteia, Santos & Gomes, 2013). Key among the practices adopted are forecasting, budgeting and variance analysis, cost, volume and profit analysis, pricing and revenue techniques, capital budgeting approaches, financial and 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). As a result of adopting these practices, large hotels have consistently outperformed their smaller counterparts (Avci, Madanoglu, & Okumus, 2011).

Despite the better performance of the large five-star hotels that is partly attributed to better management accounting information that has resulted in more effective decision-making, researchers 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). Instead, these hotels have continued to rely on outdated practices such making decisions based on managers' gut feeling, rules of thumb, personal whims, trial and error techniques, which are

inappropriate in an increasingly competitive environment as they result in haphazard, chaotic and ineffective decisions (Maduekwe, 2015).

Unlike the above outdated techniques, CMAPs provide accurate and timely financial and statistical information required by hotel managers to make day-to-day and other short-term decisions (Matembele, 2014). In addition, CMAPs provide insightful and user-friendly accounting information for supporting strategic long-term decisions. They do so by providing tools for identifying, evaluating and exploiting business and investment opportunities. Furthermore, CMAPs aid businesses to achieve their strategic goals such as profit maximisation by providing tools for: planning for the future, evaluating and controlling performance by identifying and correcting poor performance, as well as ensuring effective, efficient and optimal utilisation of scarce resources. Additionally, CMAPs provide managers with tools for solving complex problems that undermine the future viability of their businesses.

CMAPs also avail tools such as budgets, which provide future-oriented information that aids in controlling the performance by highlighting areas in which actual performance deviates from the expected performance, thus enabling appropriate corrective actions to be taken before it is too late (Anohene, 2011). CMAPs also provide tools that facilitate organisational coordination and alignment of different departmental goals towards shared objectives (Joh, 2008). More importantly, 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). CMAPs, particularly forecasting and budgeting can enable these entities to prepare coherent and realistic business plans in order to secure capital (Abogun & Fagbemi, 2012). These practices also enable hotels, in particular, to improve 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, the hotels are able to maximise their revenue and profitability by targeting profitable customers through loyalty programmes, offering deals, discounts and packages, with an aim of achieving 100% occupancy rates (Wirtz, Ho & Patterson, 2003).

Hotels are increasingly divided into various departments that offer a wide range of services ranging from administration, food and beverage, guest laundry, fitness centres, property maintenance, rooms, swimming pool and so on, all of which can be divided into responsibility centres, headed

by managers (Lee, 2000). Such an arrangement allows for the use of a responsibility accounting system, which is an important management control tool designed to measure and evaluate the performance of each responsibility centre within a business. This conventional management accounting tool can be used to hold individual managers accountable for the performance of the business segments under their control (Fowzai, 2011). It does so by providing useful information for evaluating the performance of the managers at each level and aiding in detection of areas of weaknesses in a hotel, promptly before it is too late, an aspect that can be used to improve the overall business performance (Henri, 2004). In addition, a responsibility accounting system can facilitate control even as the hotel expands or grows as is the case of many hotels operating in South Africa (PWC, 2014; Mbasera, 2015). Furthermore, given that hotel services are not inventoriable, any unsold bed and food causes loss of revenue. Thus, strict control of the costs of services and general expenses is vital in the hotel sector, a responsibility accounting system also enables hotel managers to compare the actual amounts incurred/earned against the budgeted amounts based on the responsibility centers (Hoisington, 2017).

CMAPs are also important to the hotel sector as they facilitate an assessment of whether it is profitable to operate in any particular segment of the sector or not (relevant costing) (Pavlatos, 2011). In addition, they aid hotels to compare their actual costs against set standard costs (standard costing), facilitate the determination of the optimal quantity of perishables to order (inventory control) and aid in appraising mutually exclusive investment projects that a hotel intends to undertake (capital budgeting).

Notwithstanding the above-mentioned potential advantages of CMAPs to hotels of all sizes, little evidence exists to suggest that SMEs operating in the hotel sector in South Africa are embracing these practices (Brijlal, Enow. & Isaacs, 2014; Mjongwana. & Kamala, 2018). Anecdotal evidence suggests that these entities rely on outdated techniques such as gut feeling, rules of thumb, and personal whims, trial and error techniques, which result in wrong, costly and often irreversible decisions, an aspect that has ceded their competitive advantage to their larger counterparts (Maduekwe, 2015).

1.2 RATIONALE OF THE STUDY

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. The few studies that have investigated the adoption of these practices have focused on large organisations, typically operating in the manufacturing sector (Poore, 2007). However, the hotel sector has some unique attributes that make the management accounting information needed by managers of these entities to be different from that needed in other sectors (Mia & Patiar, 2001). These attributes include: high volatility in demand that is influenced by the time of day, day of week and season, which result in highly irregular variable operating costs combined with equally high fixed costs. In addition, the sector does not only deal in perishable products, it also caters for heterogeneous clients, and is thus compelled to render diverse services (Downie, 1997). Indeed, the main product of hotels, which is room space, is highly perishable because if not sold on any day, it is lost forever. Furthermore, the service that hotels provide is inseparable from the delivery of the same.

Another characteristic that makes the hotel sector unique is that, its customers are perceived to be guests whose satisfaction is of paramount importance. The sector also provides 24 hours a day, seven days a week, service in the form accommodation and is labour-intensive. In addition, the hotel sector faces higher regulation regarding public health and safety issues than most sectors. Furthermore, the services rendered by the hotel sector are perceived as luxury products, particularly in the developing countries such as South Africa, which means that they are only consumed after basic needs have been met.

Given the importance of the SMEs operating in the hotel sector in creating the much-needed jobs, and the uniqueness of this sector that might render some of the CMAPs adopted in other sectors to be unsuitable, and bearing in mind that this is sector is among, if not the only one that is still experiencing a dramatic growth rate, it is imperative that the adoption of CMAPs by the SMEs operating in the sector be investigated.

1.3 STATEMENT OF RESEARCH PROBLEM

1.3.1 Problem statement

The problem to be investigated by this study is that SMEs operating in hotel sector are perceived to be underperforming partly due to their failure to adopt CMAPs. Consequently, the decision-makers of these entities are unable to take informed decisions as they tend to rely on unconventional techniques like their personal whims, rules of thumb and gut-feeling alongside other inappropriate trial-and-error techniques that result in costly erroneous and often irreversible decisions. Ultimately, this results in the underperformance of these entities.

Despite the fact that some studies in other countries have attributed the underperformance and high failure rate of SMEs in the hotel sector to their reluctance to adopt CMAPs, little research has been conducted on the adoption of these practices by SMEs operating in the hotel sector of South Africa, let alone the Cape Metropole. This study, therefore, seeks to investigate the adoption of CMAPs that are deemed to be suitable for South African SMEs operating in the hotel sector, in the Cape Metropole.

1.3.2 Purpose statement

The main purpose of this study is to determine the extent to which SMEs operating in the hotel sector of the Cape Metropole have adopted CMAPs.

1.4 RESEARCH QUESTION, SUB-QUESTIONS AND OBJECTIVES

The main research question of this study is:

To what extent have SMEs operating in the hotel sector in the Cape Metropole adopted CMAPs?

Sub-Question, Research Methods and Objectives:

The research sub-questions, research method and objectives are presented in Table 1.1

Table 1. 1: Research questions, methods and objectives

Research sub-questions	Research Methods	Research Objectives
Which CMAPs are suitable for SMEs operating in the hotel sector?	Questionnaire survey underpinned by descriptive, inferential statistical analysis and literature review	To determine the CMAPs that are suitable for SMEs operating in the hotel sector.
To what extent have the SMEs operating in the hotel sector of the Cape Metropole adopted CMAPs deemed suitable for these entities?	Questionnaire survey underpinned by descriptive, inferential statistical analysis and literature review.	To determine the extent to which the SMEs operating in the hotel sector of the Cape Metropole have adopted the CMAPs deemed suitable to the sector.
How useful are the CMAPs adopted by SMEs to decision-makers of these entities?	Questionnaire survey underpinned by descriptive, inferential statistical analysis and literature review.	To assess the perceived usefulness of CMAPs adopted by SMEs to the decision-makers of these entities.
What factors, if any, inhibit the SMEs from using CMAPs?	Questionnaire underpinned by descriptive, inferential statistical analysis and literature review.	To determine the factors that inhibit SMEs from using CMAPs?

1.5 RESEARCH DESIGN

1.5.1 Research paradigm

To address the main purpose of this study, which is to determine the extent to which SMEs operating in the hotel sector industry in the Cape Metropole have adopted CMAPs, the positivist paradigm was adopted for various reasons. To start with, it is based on the notion that reality is objective and measurable using methods that are independent of the researcher and the research instruments, an aspect that makes it suitable for quantitative study. It, thus, separates the researcher's bias from the objective reality, an aspect that enhances reliability of a study. In addition, the paradigm advocates for the use of quantitative data, which is more reliable than qualitative data. Furthermore, it advocates for the use of structured closed-ended questionnaire that ease the data collection and analysis, saves time and resources, especially if the sample is large.

1.5.2 Population, sample and sampling method

The research population comprised all SMEs operating in the hotel sector of the Cape Metropole. A target sample size of 100 was set. This size was deemed adequate as it has been used successfully by similar prior studies (Bruwer 2010; Maduekwe 2015). To draw the sample, purposive sampling technique 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; Maduekwe 2015). The technique was also selected as it has been widely used in other similar studies as it enables a researcher to reach the targeted sample with ease and in cost effective manner (Etikan, Musa & Alkassim, 2016).

1.5.3 Data collection and analysis

Data was collected from representatives of SMEs, namely; owners, managers and accountants as they are the ones who are typically involved in decision-making or preparation of management accounting reports and are thus expected to be knowledgeable about the use of CMAPs in their respective organisations. To collect the data, a self-administered, closed-ended questionnaire survey was employed. This method was selected as it affords a researcher an opportunity to use

multiple channels such as hand delivery of questionnaires and E-mail to distribute the questionnaire. In addition, the method enables a researcher to collect data from a large sample, an aspect that enhances the generalisability of the research findings (Hofstee, 2013: 133). Furthermore, it affords the respondents an opportunity to complete the questionnaire at their own pleasure without the undue influence of the researcher's presence.

Closed-ended questionnaires were preferred because they are readily quantifiable, are easy to analyse, easy to complete, an aspect that increases the response rate. In addition, they allow for a large volume of data to be collected from a large sample size in a short period of time and at a relatively low cost.

1.6 DELINEATION OF RESEARCH

This study only focused on the SMEs operating in the hotel sector of the Cape Metropole as it is neither feasible nor plausible to conduct a Masters Questionnaire survey that covers all sectors in the entire country. Besides, Cape Metropole has the highest concentration of these entities given the high and ever-increasing numbers of both local and international tourist arrivals. As alluded to earlier, data was only collected from owners, managers and accountants of the sampled SMEs as they are the ones that are typically involved in decision-making or preparation of management accounting reports and are thus expected to be knowledgeable about the use of CMAPs in their respective organisations.

1.7 SIGNIFICANCE OF THE RESEARCH

This study's findings will enlighten the owners, managers and accountants of SMEs operating in the hotel sector on the various CMAPs that are suitable to these SMEs and that are currently employed by their peers. These should enable them to benchmark their own practices to the best practice to decide whether to continue with their current practices or to change or improve on them. The above decision-makers of SMEs will also be informed of the various factors that deter SMEs from adopting CMAPs which if avoided should ensure high uptake of the best CMAPs, in so doing increasing the survival rates of these entities. The South African Government, particularly the Department of Small Business Development could also draw on the findings of this research to

develop more effective intervention strategies related to training of SMEs decision-makers on various suitable CMAPs in an effort to avert the high failure rate of these entities that is often attributed to a lack of the requisite management accounting skills.

1.8 LIMITATIONS AND CONSTRAINTS

This study faced the following limitations and constraints. Firstly, it was informed by limited prior literature, therefore the researcher had few studies to compare the results of this study to, to gauge its external validity. Secondly, the study focused only on SMEs operating in the hotel sector of the Cape Metropole, therefore its findings may not be generalisable to all hotels, particularly those operating in other provinces. Thirdly, the targeted respondents who comprised owners, managers and accountants of SMEs typically have a busy schedule thus were reluctant to participate in this study. To address this challenge, the researcher hand delivered the questionnaire to them and persuaded the reluctant respondents to participate in the study.

Fourthly, questionnaire surveys are characterised by a low response rate that results in non-response bias, which undermines the generalisability of the findings to the entire population. To address the risk of a low response rate, the questionnaire was designed to encourage completion by using relatively short closed-ended questions. In addition, the researcher interacted face to face with the potential respondents to encourage them to complete the questionnaire and clarify any misconceptions.

Lastly, some respondents were reluctant to complete the questionnaire, as they perceived this exercise to be an unnecessary exposure to risk of divulging sensitive information. To address this limitation, the researcher deliberately avoided sensitive questions in the design of the questionnaire. In addition, he reassured the respondents of the confidentiality of the information divulged.

1.9 CONTRIBUTION OF RESEARCH

As already alluded to earlier, although numerous studies have been conducted on the adoption of CMAPs, most of these studies were conducted in other countries outside South Africa, employed limited samples, were conducted in other provinces other than the Western Province, drew samples from other sectors or sampled large hotels, are dated, pursued other objectives or had contradictory

findings. Accordingly, there is a gap in knowledge on the adoption of CMAPs by SMEs operating in the hotel sector of the Cape Metropole. This study fills in this gap in knowledge by investigating the extent to which SMEs operating in the hotel sector of the Cape Metropole have adopted CMAPs.

1.10 OUTLINE OF THE STUDY

This study will be organised into five chapters.

Chapter 1: Introduction and problem identification: This chapter provides the background of the study and introduces the research problem, the problem statement, the research questions and the study's objectives.

Chapter 2: Literature review: This chapter provides a comprehensive review of prior literature and identifies the gaps in the prior literature as well as the questions that have remained unanswered.

Chapter 3: Research Methodology: This chapter presents the research design and methodology as well as sampling techniques, data collection method and analysis used to address the objectives of the study.

Chapter 4: Analysis of data and discussion of the results: This chapter presents an analysis of the data collected and discusses the results.

Chapter 5: Summary, conclusions and recommendations: This chapter provides the summary and conclusion of the study as well as its recommendations, limitations and suggestions for future research.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

The aim of this chapter is to review the prior literature on the adoption of selected Conventional Management Accounting Practices (CMAPs) by SMEs operating in the hotel sector of the Cape Metropole. By so doing, the chapter identifies gaps in the literature with regard to the CMAPs that are suitable for SMEs operating in the hotel sector and the extent to which the SMEs use these practices. The chapter also identifies gaps on the perceptions of the decision makers of the SMEs regarding the effectiveness of the CMAPs currently employed by these entities as well as the gaps on the factors that inhibit the SMEs from using CMAPs.

The chapter proceeds with the definition of CMAPs and a discussion of their importance to hotels in Section 2.2. This is followed by the definition of SMEs and a discussion of their importance to the South African economy in Section 2.3. Section 2.4, highlights the importance of the hotel sector to the South African economy. Thereafter, Section 2.5, reviews the prior studies on the adoption of CMAPs by SMEs operating in the hotel industry. Section 2.6 presents the gaps identified in prior literature and research questions that have remained unanswered, while Section 2.7 discusses the contingency theory. Lastly, Section 2.8 summarises and concludes the chapter.

2.2 DEFINITION OF CMAPS AND DISCUSSION OF THEIR IMPORTANCE

2.2.1 Definition of CMAPs

Before the definition of CMAPs is provided, it is vital that the field of Management Accounting be defined as the practices emanate from the field. Although there is a clear definition of the word conventional which is defined as “conforming or adhering to accepted standards of conduct, convention or general agreement; established by general consent or accepted usage, or universally used” (Petersen, 2007:275), however, there is no universally accepted definition for Management Accounting.

The Institute of Management Accountants (IMA) defines Management Accounting (IMA, 2008:01) as “a profession that involves partnering in management decision making, devising planning and performance management systems, and providing expertise in financial reporting and control to assist management in the formulation and implementation of an organisation’s strategy”. Similarly, the International Federation of Accountants (IFAC) (1989:99) defines management accounting as “the process of identification, measurement, accumulation, analysis, preparation, interpretation, and communication of information used by management to plan, evaluate and control within an entity and to assure appropriate use of and accountability for its resources”. The Chartered Institute of Management Accountant (CIMA, 2015) defines management accounting “an integral part of management, which requires the identification, generation, presentation, interpretation and use of relevant information to:

1. inform strategic decisions and formulate business strategy;
2. plan long, medium and short-term operations;
3. determine capital structure and fund that structure;
4. design reward strategies for executives and shareholders;
5. inform operational decisions;
6. control operations and ensure the efficient use of resources;
7. measure and report financial and non-financial performance to management and other stakeholders;
8. safeguard tangible and intangible assets; and
9. implement corporate governance procedures, risk management and internal controls”.

Based on the above definitions, it can be deduced that management accounting practices essentially entail planning, performance measurement, controlling performance to ensure that actual performance does not deviate from the planned performance, and that resources are utilised optimally in an accountable manner. From the foregoing, the following management accounting practices can be derived: 1) forecasting and budgeting, 2) cost allocation 3) cost volume and profit analysis, 4) cost-benefit analysis, 5) investment appraisals, 6) profitability analysis, 7) rate and

volume analysis, 8) pricing, 9) cost analysis and control, 10) preparation of adhoc reports; 10) budgetary control, 11) performance measurement, and 13) resource optimisation and management.

Although the list in of management accounting practices in the preceding paragraph is not exhaustive, for the purpose of this study, the above-mentioned 13 management accounting practices will be deemed to be the CMAPs that can be adopted by SMEs operating in the hotel industry.

2.2.2 Importance of CMAPs to hotels

The primary importance of CMAPs is to assist decision-makers of any entity to make informed decisions. CMAPs do not only provide accurate and timely financial and statistical information required by hotel managers to make day-to-day and other short-term decisions (Matembele, 2014), these practices also provide insightful and user friendly accounting information for supporting strategic long-term decisions. They do so by providing tools for identifying, evaluating and exploiting business and investment opportunities.

In addition, CMAPs aid hotels to achieve their strategic goals such as profit maximisation by providing tools for: planning for the future, evaluating and controlling performance by identifying and correcting poor performance, as well as ensuring effective, efficient and optimal utilisation of scarce resources (Karim, 2011). Furthermore, CMAPs provide decision-makers of hotels with tools for solving complex problems that undermine the future viability of their businesses. These tools include budgets which provide future-oriented information that aids in controlling the performance of a hotel, by highlighting areas in which actual performance deviates from the expected performance, thus enabling an appropriate corrective action to be taken before it is too late (Anohene, 2011). CMAPs also provide tools that facilitate organisation coordination and alignment of different departments within a hotel towards shared objectives (Matembele, 2014). More importantly, 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 (Ramlee & Berma, 2013). They thus need convincing business plans to raise capital (Abdulsaleh & Worthington, 2013). CMAPs, particularly, forecasting and budgeting can enable SMEs operating in the hotel sector to prepare a coherent and realistic business plan in order to secure capital (Abogun & Fagbemi, 2012).

CMAPs also enable hotels to improve 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, the hotels are able to maximise their revenue and profitability by targeting profitable customers through loyalty programs, offering deals, discounts and packages, with an aim of achieving 100% occupancy rates (Wirtz & Patterson, 2003). Given that hotel services are increasingly divided into various departments managed by departmental managers, CMAPs, particularly the responsibility accounting system, plays an important management control role as it is designed to measure and evaluate the performance of each responsibility centre within a business (Fowzai, 2011). It does so by providing useful information for evaluating the performance of the managers at each level and aiding in detection of areas of weaknesses in a hotel promptly before it is too late, an aspect that can improve the overall business performance (Henri, 2004). In addition, the responsibility accounting system facilitates control, which is typically lost as hotels expand in size (PWC, 2014; Mbasera, 2015).

CMAPs are further important to hotels as they facilitate an assessment of whether it is profitable to operate in any particular segment of the sector or not (relevant costing) (Pavlatos, 2011). In addition, they aid hotels to compare their actual costs against set standard costs (standard costing), facilitate the determination of the optimal quantity of perishables to order (inventory control); and aid in appraising mutually exclusive investment projects that a hotel intends to undertake (capital budgeting) (Policy, 2008).

2.3 DEFINITION OF SMES AND DISCUSSION OF THEIR IMPORTANCE TO THE SOUTH AFRICAN ECONOMY

2.3.1 Definition of SMEs

There is no worldwide accepted definition of SMEs as it varies from country to country (Donkor, 2015). According to (Qi, 2010) many authors define SMEs using a number of criteria that include, number of employees, annual sales or value of assets. The Ministry of Planning and International Cooperation (2011:15) in Jordan, for instance, defines small enterprises “as those with less than 20 employees, and medium enterprises are those with between 20 to 99 employees”.

In South Africa, the National Small Business Act of 1996 as amended by the National Small Business Amendment Act of 2003 and 2004 defines a SMEs as “a separate and distinct business entity, including co-operative enterprises and non-governmental organisations, managed by one owner or more, which including its branches or subsidiaries if any, is predominantly carried on in any sector or sub sector of the economy”. The Act further gives classification of SMEs as summarised in Table 2.1.

Table 2. 1: Classification of SMEs in South Africa

Size of enterprise	Number of employees	Annual turnover (Rand value)	Gross assets, excluding fixed property
Medium enterprise	Less than 100 to 200, rely on the industry	Less than R4 million to R50 million rely on the industry	Less than R2 million to R18 million rely on the industry
Small enterprise	Less than 50	Less than R2 million to R25 million rely on the industry	Less than R2 million to R4.5 million rely on the industry
Very small enterprise	Between 10 to 20 rely on the industry	Less than R200 000 to R500 000 rely on the industry	Less than R150 000 to R500 000 rely on the industry
Micro enterprise	Less than 5	Less than R150 000	Less than R100 000

Source: National Small Business Amendment Act of 2003 and 2004.

For the purpose of this study, SMEs are classified based on the number of employees as shown in Table 2.2

Table 2. 2: Classification of SMEs for the purpose of this study

Category of enterprise	Description (according to number of employee)
Small	6-50
Medium	51-200

Source: National Small Business Amendment Act of 2003 and 2004.

The current study focuses on SMEs operating in the hotel sector as opposed to micro enterprises as SMEs are expected to have attained a size and sophistication that requires usage of CMAPs and can be reasonably expected to have requisite resources to implement these practices (Armitage & Webb, 2013:13).

2.3.2 Importance of SMEs to the South African economy

SMEs are important to South Africa's economy for various reasons. First and foremost, given that these entities are labour intensive, they absorb both skilled and unskilled labour thus reducing the problem of unemployment, extreme poverty and inequality (Leopolous, Kirytopoutos & Malandrakis, 2006). According to Maduekwe and Kamala (2015), SMEs employ over 60% of South Africans and are thus the main contributor in job creation for both the rural and the urban growing labour force. By creating jobs, SMEs do not only aid in alleviating extreme poverty, they also aid in reducing inequality in the country, alongside other related vices such as crime, prostitution and suicide (Leopolous, Kirytopoutos & Malandrakis, 2006). According to Masarira and Msweli (2013), SMEs are inherently more adventurous and have several advantages over their larger counterparts as they can adapt easily to market conditions, given their flexible nature, are more labour intensive and have lower capital costs associated with employment creation, compared to large enterprises. Secondly, SMEs inculcate the entrepreneurial spirit and self-reliance, which are perceived to be lacking, particularly among the previously disadvantaged South Africans, by providing an accessible training ground for the budding entrepreneurs (Steenekamp, 2013). In addition, they impart skills and thus aid in the human capital development of labour in

South Africa as those lacking education are given an opportunity acquire skills through practical application of knowledge by working in an SME or starting one (Kleynhans, 2006). Thirdly, they encourage innovation by providing appropriate and suitable solutions to local problems (Muriithi, 2017). They do so by having a better understanding of the local problems, then improvising and adopting new technologies (Linna, 2013). Fourthly, they increase the level of competition in the economy, an aspect that does not only lower prices for the consumers, but also increases the product variety for the consumers to select from, as well as the quality and convenience to customers (Leopulous, Kirytopoutos & Malandrakis, 2006).

Fifthly, given that SMEs are widely dispersed throughout the country, they contribute in balancing regional development, particularly in the rural areas, which deters rural urban migration and the related problems such as inadequate housing, overcrowding and strain on basic municipal services (Lekhanya, 2016). Sixthly, they do not only contribute to local government revenue through paying licensing and permit fees, they also contribute to the central government by paying taxes to South African Revenue Services (SARS) (Smulders, 2009). In addition, they provide large businesses with distribution channels that ensure that products reach the intended customers. Last but not least, they serve as nurseries or incubators for future large corporations, through re-investment of retained earnings and expansion of their operations, they are able to grow into large corporations (Taiminen & Karjaluo, 2015).

2.4 IMPORTANCE OF THE HOTEL SECTOR TO THE SOUTH AFRICAN ECONOMY

The hotel sector does not only generate tax revenue for the South African economy directly when local and international tourists spend money in hotels, it also supports the economy indirectly when these guests purchase retail goods, locally made souvenirs and crafts, and other tourism related services (Ashley, Brine, Lehr & Wilde, 2007). In addition, the sector being one of the fastest growing sectors in South Africa, averaging a real growth rate of 1.3% per year (PWC, 2016), makes a vital contribution to the country's economy by creating employment opportunities, given its labour intensive nature, that accommodates unskilled labour (Makumbirofa & Saayman, 2018). Furthermore, the sector provides the much needed foreign exchange to the country (Stats SA, 2014), which does not only aid in improving the position of the country in terms of balance of payment, but also aids in reducing its trade deficit (Stats SA, 2014). Moreover, the hotel sector

contributes significantly towards the development of the infrastructure of the country through investments such as construction of hotel buildings and roads in both developed urban areas and lesser developed rural areas of the country, an aspect that balances regional development (Monks, 2010:15). According to (PWC, 2016), the growth rate of 1.3% per year of hotels has created business opportunities to local entrepreneurs that have resulted in existing hotels upgrading their facilities, renovating their properties or making plans to open new hotels in the country (PWC, 2016).

The hotel sector also provides essential services to business and other categories of travellers, in form of lodging, food, and conference venue and so on, regardless of whether they are on the move for reasons of necessity, leisure or luxury (Talabi, 2015). In fact, hotel services are a major factor in every vacation and business trip taken, and are thus important to individual customers and to businesses alike (Bayarsaikhan, Purey, Purevdagva & Wong, 2018).

2.5 ADOPTION OF CMAPS BY SMES OPERATING IN THE HOTEL INDUSTRY

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 although the sampled enterprises could justify the adoption of the management accounting practices, 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 Arroiteia (2012) investigated the adoption of management accounting practices by 35 hotels, both small and large, with an aim of determining the practices adopted, purpose for which they are used, as well as the perceived adequacy of the practices for the purposes that they were used. 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%).

Concerning the purpose for which management accounting practices were used, the Santos's *et al.*'s (2012) results revealed that most of the sampled hotels used the practices for decision-making (65.7%), budgeting (60%), supporting management information systems (57.1%), elaboration of income and loss statement (54.5%), and determining gross costs and gross margins of products (50%). Of the hotels that had adopted the management accounting practices, 80% indicated that the practices were adequate for decision-making, 70% indicated that the practices were adequate for estimating product costs, 60% indicated that the practices were adequate for analysing profitability of products and services, while 53.8% indicated that the practices were adequate for pricing. Although relevant, Santos's *et al.*'s (2012) study was conducted more than seven years ago, among both large and small hotels, in Portugal. Thus, the applicability of its findings to South African SMEs operating in the hotel sector is questionable at the moment. Besides, the study did not investigate the factors, if any that inhibit small hotels from adopting management accounting

practices and employed a limited sample size, an aspect that undermines the generalisability of its findings.

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. Although useful, El-Shishini's (2017) study was conducted among large and small hotels, employed a limited sample size, was conducted in Bahrein, and did not investigate the perceived usefulness of the management accounting techniques nor the factors, if any, that can hinder small hotels from adopting the techniques. Thus, its findings may not be generalisable to SMEs operating in the hotel sector of South Africa, nor does it address all the objectives of this study.

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. Although useful, Penpichcha and Nitirojntanad's (2016) study did not reveal the percentage of use of the management accounting techniques, was conducted in Thailand using both large and medium size hotels, neither assessed the perceived usefulness of the techniques nor the factors that inhibit these entities from using the techniques. Thus, its findings may not be applicable to SMEs operating in the hotel sector of South Africa nor do they address all the objectives of the current study.

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). However, many of the sampled hotels indicated their intention to lay more emphasis on the recently developed techniques such as activity-based costing, the Balanced Scorecard and benchmarking, in the future. The researchers also found that the management accounting practices perceived to be most beneficial were budgeting for planning annual operations, measuring of profitability using operating profit and revenue growth, budgeting for controlling costs, product profitability analysis, budgeting for coordinating activities of the various parts of the organisation, customer profitability analysis, absorption costing, non-financial measurement related to customers as well as budgeting for evaluating the performance of managers. Although insightful, Pavlatos and Paggios (2015) study was conducted in Greece, sampled large hotels, did not investigate the factors that deter hotels from using management accounting practices. Its findings thus may not be applicable to SMEs operating in the hotel sector of South Africa nor do they address all the objectives of this study.

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. Sunarni's (2014) study

however was conducted in Indonesia, sampled large hotels, neither investigated the perceived usefulness of the management accounting practices adopted nor and factors, if any, that deter hotels from using management accounting practices. Its findings may thus not be applicable to SMEs operating in the hotel sector of South Africa nor do they address all the objectives of the current study.

Still in Europe, Akmes (2016) investigated the perceived importance of management accounting practices by managers of 24 large hotels operating in Turkey. His results revealed that most of the hotel managers perceived, payroll taxation (79.2%), to be an extremely important management accounting practice followed by cash budgeting (70.8%) and payroll accounting (70.8%). Other management accounting practices perceived to be extremely important by the sampled hotels included, pricing (75%), income tax and tax laws (75%), income statement analysis (65.2%), financial forecasting (54.2%), break-even analysis (54.2%), balance sheet analysis (54.2%) and inventory management (52.2%). Although relevant, Akmes's (2016) study did not investigate the actual adoption of the management accounting practices, nor the factors that inhibit hotels from adopting management accounting practices, and was conducted among large hotels operating in Turkey. Its findings therefore may not be applicable to SMEs operating in the hotel sector of South Africa nor do they address all the objectives of this study.

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, Maziriri and Mapuranga (2017) investigated the impact of management accounting

practices on the business performance of SMEs operating in Gauteng South Africa using a sample of 380 SME managers. The researchers conducted multiple regression analysis to determine the association between management accounting practices and business performance. Their results revealed that the costing system adopted by an SME has a positive impact on business performance and that budgeting contributes to an improved performance of an SME. In addition, performance evaluation was found to be a significant predictor of business performance. Furthermore, strategic analysis was found to have a strong positive impact on business performance. By contrast, information for decision-making was found not to have a significant impact on the business performance of SMEs. Although relevant, Maziriri and Mapuranga's (2017) study did not investigate the extent of adoption of management accounting practices by the sampled SMEs nor the factors that inhibit these entities from adopting the practices. In addition, their study did not focus on the hotel sector and was conducted in Gauteng, thus its findings may not be applicable to SMEs operating in the hotel sector of the Cape Metropole.

In another local study, Mbumbo and Benedict (2015) investigated the perceived effectiveness of the management accounting skills of 38 decision-makers of SMMEs operating in the transport sector of tourism industry, in Cape Town, South Africa. Their findings revealed that most of the respondents perceived their management accounting skills to be either good or very good. The specific skills that the respondents perceived themselves to be proficient in were calculation of profit and loss (83.7%), product costing and pricing (78.9%), capital budgeting (76.3%), cash budgeting (73.7%), CVP analysis (70.6%), just in time system application (66.7%), and activity-based costing (63.9%). Other skills that the respondents perceived themselves to be proficient in were cost allocation (62.1%), job order costing (61.8%), variance analysis (60.6%), operational budgeting (59.4%), standard costing (54%), lastly, the application of product life cycle (48.4%).

With regard to the perceived effectiveness of the various management accounting skills that respondents possessed, the results revealed the skills that respondents perceived as more effective or most effective were calculation of profit and loss (74.3%), CVP analysis (68.8%), cash budgeting (66.6%), capital budgeting (63.9%), operational budgeting (62.8%), and product costing and pricing (61.1%). Other skills that respondents perceived as more effective or most effective were standard costing (55.6%), job order costing (54.3%), application of product life cycle (53.1%), cost allocation (48.6%), activity-based costing (45.7%), just in time system application

(45.4%), and variance analysis (44.1%). Although insightful, Mbumbo (2015) study did not investigate the extent of adoption of management accounting practices and the factors, if any, that inhibit SMMEs from adopting these practices. Besides, the study focused on the transport sector of tourism industry and employed a limited sample. Thus, its findings may not be applicable to SMEs operating in the hotel sector of the Cape Metropole.

So far, none of the prior studies reviewed investigated the factors that inhibit SMEs from adopting and using CMAPs. In a clear departure from the above prior studies, Subasinghe and Fonseka (2009) investigated the factors that led to the low adoption of management accounting practices in 22 Sri Lankan businesses. Their findings revealed that the main factors were: low level of awareness among top management of the relevance and usefulness of management accounting practices and subordination of management accounting function to financial accounting function as it remains an arm of the latter. Other factors were inherent bias towards traditional modes of planning and control at the expense of more modern practices aimed at strategy formulation, efficient resource use, performance improvement and value enhancement. Additional factors that led to the low adoption of management accounting practices in Sri Lanka were lack of innovation, learning and sharing of knowledge and skills, as well as the adoption of management accounting practices based on a set of assumptions that are not applicable to the Sri Lankan volatile market. Subasinghe and Fonseka's (2009) study however was conducted in Asia more than nine years ago, employed a limited sample and did not focus on SMEs, let alone hotels. Its findings may thus not be applicable to SMEs operating in the hotel sector of South Africa at the moment.

A local study conducted by 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. The study also revealed that the management accounting tools were used for various purposes, key among which were monitoring, measuring performance, planning, as well as control and improving decision-making. Maduekwe's (2015) study also revealed that management accounting tools used were perceived to be effective. The study however also identified some of the factors that inhibit the

adoption of management accounting tools which included a lack of: top management support, qualified personnel, required resources and awareness about management accounting tools. 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. The study also revealed that the non-financial performance measures adopted by the SMEs were mostly used for increasing profitability, enhancing productivity and effectiveness, as well as improving decision-making. Of the three non-financial performance measures, customer-oriented measures were perceived to be the most effective measures by the SMEs' decision-makers. Also revealed were the factors that inhibit the sampled SMEs from adopting non-financial performance measures. These included, the prohibitive cost of implementing the measures, employee resistance, and difficulty in quantifying the measures as well as the incomparability of the measures to those of peer SMEs. 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.

2.6 GAPS IDENTIFIED IN PRIOR LITERATURE AND RESEARCH QUESTIONS THAT HAVE REMAINED UNANSWERED

Gaps identified

Based on the above-literature review the following gaps have been identified.

Most of studies reviewed above were conducted in other countries outside South Africa, thus the generalisability of their findings to the South African context is questionable. Some of the studies employed a limited sample, were conducted in other provinces other than the Western Province, drew samples from other sectors or sampled large hotels, therefore the applicability of their findings to the South African SMEs operating in the hotel sector is questionable.

Some of the studies are dated, having been conducted more than five years ago, thus their findings may not be valid at the moment. Yet others did not cover all the objectives that are covered by the current study. Some studies reveal a high uptake of management accounting practices by SMEs operating in the hotel sector, yet others refute this finding, thus creating a contradiction that needs to be resolved by a new study.

Research questions that have remained unanswered

1. Which CMAPs are suitable for SMEs operating in the hotel sector?
2. To what extent have the SMEs operating in the hotel sector of the Cape Metropole adopted CMAPs deemed to be suitable for these entities?
3. How useful are the CMAPs adopted by SMEs to decision-makers of these entities?
4. What factors, if any, inhibit the SMEs from using CMAPs?

This study attempts to fill in the gaps in the prior literature by addressing the above-mentioned questions.

2.7 CONTINGENCY THEORY

Contingency posits that there is no universally appropriate accounting system which applies equally to all organisations, in all circumstances (Otley, 2016: 46). Suitability of an accounting system will depend upon the specific circumstances in which an organisation finds itself.

In the context of this study, contingency theory posits that there is no one best practice of management accounting that is universally applicable to all entities. However, the suitability of a practice to a particular entity is dependent on situational factors faced by that entity (Granlund and Lukka, 2017: 70). Otley (2016) and Cadez and Guilding (2008), identified the contingency factors that explain the adoption of a management accounting practice and grouped them into four factors, namely; technology, organisation size, market competition intensity and the level of qualification of accounting staff. According to the researchers, the size of an entity impacts on the adoption of management accounting practices, as large organisations have resources to adopt complex management accounting practices. 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. The researchers further found that management accounting practices also change with the intensity of the competition in the market. Specifically, they discovered a positive correlation between the intensity of the competition in the market and adoption of management accounting practices. The researchers also found that the level of qualification of an entity's staff is positively related to the adoption of management accounting practices. In other words, the lesser the level of qualification, the lesser the adoption of appropriate management accounting practices. Lastly, the researchers found that the more sophisticated the technology level that an entity employs, the better the information produced for decision-making and the more likely that it will adopt appropriate management accounting practices.

The above studies in this section indicate the need of research on appropriate management accounting practices that match SMEs as most the studies concentrated on large enterprises. Studies that take into account the specific aspects of South African SMEs are needed in order to fill the gaps in literature as identified under section 2.6 of this study. Given that none of the prior studies reviewed in this chapter employed a theory, it is imperative that a study be conducted that employs a theory, such as the contingency theory, to interpret the results obtained, in order to provide a deeper understanding of the adoption of CMAPs by SMEs operating in the hotel sector of the Cape Metropole.

2.8 SUMMARY AND CONCLUSIONS

The purpose of this chapter was to review the prior literature on the adoption of selected CMAPs by SMEs operating in the hotel sector of the Cape Metropole. By so doing, the chapter identified gaps in the literature with regard to the CMAPs that are suitable for SMEs operating in the hotel sector and the extent to which the SMEs use these practices. The chapter also identified gaps on the perceptions of the decision-makers of the SMEs regarding the effectiveness of the CMAPs currently employed by these entities as well as the gaps on the factors that inhibit the SMEs from using CMAPs.

The chapter commenced by defining CMAPs, discussed their importance to hotels, defined SMEs, discussed their importance to the South African economy, and highlighted the importance of the

hotel sector to the South African economy. Thereafter, the chapter reviewed the prior studies on the adoption of CMAPs by SMEs operating in the hotel industry, presented the gaps identified in prior literature as well as the research questions that have remained unanswered, and discussed the contingency theory. Among the gaps identified were; most of the studies reviewed were conducted in other countries outside South Africa, employed limited samples, were conducted in other provinces other than the Western Province, drew samples from other sectors or sampled large hotels, are dated, pursued other objectives or had contradictory findings.

Given the gaps identified in prior literature as well as the research questions that have remained unanswered, the author concludes that an understanding the adoption of CMAPs by SMEs operating in the hotel sector in South Africa still seems evasive.

The next chapter (Chapter 3) discusses the research design and methodology employed to address the objectives of this study.

CHAPTER 3

RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION

The aim of this chapter is to outline research design and methodology employed in this study to address the following research objectives:

1. To determine the Conventional Management Accounting Practices (CMAPs) that are suitable for SMEs operating in the hotel sector.
2. To determine the extent to which the SMEs operating in the hotel sector of the Cape Metropole have adopted the CMAPs deemed suitable to the sector
3. To assess the perceived usefulness of CMAPs adopted by SMEs to the decision-makers of these entities.
4. To determine the factors, if any, that inhibit SMEs from using CMAPs.

To address the above-mentioned objectives, a questionnaire survey was conducted to collect quantitative data which was analysed using descriptive and inferential statistics. This chapter proceeds with a discussion and justification of the research paradigm adopted in this study in Section 3.2. Thereafter, Section 3.3 provides a justification of the questionnaire survey method adopted in this study. This is followed by a discussion of the research population and sampling method employed in this study in Section 3.4. Section 3.5 elaborates the questionnaire design, while Section 3.6 provides an overview of the pilot study conducted to test the questionnaire. Section 3.7 provides a description of the data collection process used in this study, while Section 3.8 discusses the measures undertaken to ensure the reliability and validity of the questionnaire (research instrument). In section 3.9, the limitations of the questionnaire survey methodology adopted in this study are outlined. Thereafter, Section 3.10 describes the ethical considerations of this study. Lastly the chapter Section 3.11 summarises and concludes the chapter.

3.2 DISCUSSION AND JUSTIFICATION OF THE RESEARCH PARADIGM ADOPTED IN THE STUDY

Research paradigm refers to a set of beliefs concerning the nature of the reality being investigated (Bryman, 2012). It is the underlying definition of the nature of knowledge. The assumptions created by a research philosophy provide the justification of how the research will be undertaken (Flick, 2011). Research paradigms can differ depending on the goals of research and on the best way that might be used to achieve these goals (Goddard & Melville, 2004). These are not necessarily at odds with each other, but the choice of a research paradigm is defined by the type of knowledge being investigated in the research project (May, 2011). Therefore, understanding the research paradigm adopted can help to explain the assumptions inherent in the research process and how this fits the methodology used. There two main paradigms that can inform the research process, namely; positivism and interpretivism as discussed below.

Positivism also known as positivist paradigm is a philosophy that is deeply rooted in science and mathematics, which is based on the view that whatever exists can be verified through experiments, observation and mathematical or logical proof (Blumberg & Feigl, 1931). It thus assumes that reality can be objectively measured using metrics which are independent of the researcher and the research instrument used. Accordingly, the philosophy advocates for quantitative research and the use of statistical analysis.

Interpretivism also known as interpretivist paradigm involves researchers interpreting the elements of the study, thus interpretivism integrates human interest into a study (Saunders *et al.*, 2009). Interpretivism researchers assume that access to reality, whether given or socially constructed, is only through social constructions such as language, consciousness, shared meanings, and instruments. The development of interpretivist paradigm is based on the critique of positivism in social sciences (Myers, 2008). Accordingly, this paradigm emphasises qualitative analysis instead of quantitative analysis. Based on the interpretivist approach, it is important for a researcher as a social actor to appreciate differences between people. Moreover, interpretivism studies usually focus on meaning and may employ multiple methods in order to reflect on different aspects of a topic under investigation. In this philosophy, one can never presume that what is observed is interpreted in the same way by different participants, thus the key approach is to examine differences and nuances in the respondents' understanding (Saunders, Lewis & Thornhill, 2012).

For the purpose of this study, the positivist paradigm was adopted for various reasons. Firstly, it assumes that reality is objectively measured using metrics that are independent of the researcher and the research instrument, an aspect that makes it suitable for a quantitative study such as this one. It thus separates the researcher's bias from the objective reality, which enhances the reliability of a study. Secondly, by advocating for the use of quantitative data, the positivist paradigm is a more objective approach and thus more reliable than the interpretivist paradigm, which advocates for the use of subjective qualitative data. Thirdly, the main objective of this study, which was to determine the extent to which SMEs operating in the hotel sector of the Cape Metropole have adopted CMAPs, required quantitative data to indicate the percentage of SMEs that have adopted the CMAPs. Accordingly, the positivist paradigm, which is quantitative in nature, was more appropriate in addressing the main objective. Fourthly, the positivist approach was selected as it advocates for a well-defined structure that allows the use of closed-ended questionnaires that can be analysed statistically. Fifthly, the paradigm, given its quantitative nature, allows for a large sample to be drawn from the population, an aspect which increases external validity of the findings (Collis & Hussey, 2009: 3). Lastly, a study that adopts the positivist paradigm requires less time and resources than a study that adopts an interpretivist paradigm, hence the choice of the positivist paradigm for the purpose of this study.

3.3 JUSTIFICATION FOR THE QUESTIONNAIRE SURVEY METHODOLOGY

A questionnaire survey methodology was selected for this study for several reasons. Firstly, it is a faster, less expensive and more convenient way of obtaining data from a large number of respondents than personal interviews method (Al-Mubarak, 1997:178). Secondly, unlike personal interviews, it allows respondents to answer questions at their own convenience without the undue influence of the presence of a researcher, which tends to introduce bias (Al-Mubarak, 1997:180). Thirdly, if closed-ended questions are used, the data collected in a questionnaire survey can be quickly and easily captured, quantified and analysed objectively by the researcher using a variety of statistical software packages. Fourthly, most SME owners/managers in the Cape Metropole have been exposed to questionnaires thus are less likely to be apprehensive when requested to participate in a questionnaire survey such as this one (Maduekwe 2016).

3.4 RESEARCH POPULATIONS, SAMPLE AND SAMPLING TECHNIQUE

3.4.1 Research population and sample

The research population targeted by this study comprised SMEs operating in the hotel sector of the Cape Metropole. Due to a lack of an exhaustive comprehensive list of these entities operating in the Cape Metropole, their exact population is unknown. For the purpose of this study, a 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. Out of 100 representatives of SMEs, One was from a large hotel which comprised of 100 to 300 rooms, 51 were from medium hotels that operate as Bed and Breakfast, whereas 48 were from guest houses or small hotels. The owners, managers and accountants were deemed to be the decision-makers of SMEs that are expected to be familiar with the usage of CMAPs in their businesses.

3.4.2 Sampling technique

To draw a sample of 100 hotels, purposeful sampling technique was employed. This technique was executed by searching for the hotels that are located within the Cape Metropolises main tourist areas on the internet. Only those that were readily accessible to the researcher and that met the criteria set were sampled. The purposeful sampling technique was selected for various reasons. First and foremost, this technique is deemed 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; Maduekwe 2015). Secondly, it also enables a researcher to reach the targeted sample with ease and in cost effective manner, particularly if the units of analysis are situated in areas accessible to the researcher as was the case in this study. Thirdly, it has been widely used successfully in other similar studies. Fourthly, given that the population of all SMEs operating in the hotel sector of the Cape Metropole is unknown, the use of other sampling methods such as the random sampling was not an available option.

3.5 DESIGN OF THE QUESTIONNAIRE

3.5.1 General description of the questionnaire design

The questionnaire that was designed comprised five sections for ease of navigation. The questionnaire consisted of twelve pages including the consent letter (cover page). The letter was used to highlight the purpose of the study and to assure the respondents that any information they reveal would be used solely for the purpose of this study, be kept confidential and anonymous, and that there were no risks associated with participating in this study.

The questionnaire began with general questions on the respondents' profile and their businesses' profile, it then funnelled down to suitability of CMAPs to SMEs operating in the hotel sector, then to the extent of adoption of CMAPs, then to respondents' perceived usefulness of CMAPs. Questions on the factors that inhibit the business from adopting CMAPs were asked last.

To encourage potential respondents to complete the questionnaire, sensitive questions such as those relating to income, revenue and payment of taxes were avoided. In addition, a deliberate effort was made to avoid any question that would directly link a response to a particular respondent or specific hotel.

To further encourage the potential respondents to participate in the survey, the design of the questionnaire was simplified and user-friendly as the instrument comprised 14 closed-ended questions, requiring responses on a five-point Likert scale, yes/no answers or multiple choice. Thus, the time frame required to complete the questionnaire was minimised to about 25 minutes.

3.5.2 Description of the specific sections in the questionnaire

The questionnaire used in this study comprised five sections (see Appendix B). Section A dealt with respondent's personal profile as well the profile of their businesses. Section B dealt with suitability of CMAPs to SMEs operating in the hotel sector, while Section C dealt with extent of adoption of CMAPs by respondents' businesses. Section D dealt with perceived usefulness of CMAPs while Section E focused on factors that inhibit a respondent's business from adopting CMAPs.

3.5.3 Section A: Respondent and business profile

Section A was aimed at obtaining information on a respondent's personal profile as well as that of his or her business. Section A of the questionnaire comprised of seven multiple choice questions. It included questions on the respondent's position in the business, experience, number of years the business has been in operation, highest educational qualification, whether the qualification was accounting related, the number of employees of the business and the number of rooms that the hotel has.

These questions were deemed necessary to ensure that only suitable candidates completed the questionnaire. It was also used to avail information that would be used in the analysis of data obtained from other sections of the questionnaire, so as to determine if the respondents' profile had any effect on the respondents' answers.

3.5.4 Section B: Suitability of conventional management accounting practices to SMEs operating in the hotel sector

Section B was meant to address the first research objective listed above, namely; to determine the CMAPs that are suitable for SMEs operating in the hotel sector.

The section comprised two questions, namely question 8 and question 9. Question 8, "to what extent do you agree with the following statements meant to assess the suitability of conventional management accounting practices to small and medium enterprises operating in the hotel sector in Cape Metropole?" required respondents to indicate their degree of agreement or disagreement with 26 statements on a five-point Likert scale [1= Strongly Disagree, 2 = Disagree, 3= Neither agree nor disagree, 4= Agree, 5= Strongly Agree]. This question was meant to aid the researcher in assessing the suitability of CMAPs to SMEs operating in the hotel sector of the Cape Metropole.

Question 9, "how suitable are the following management accounting practices to the business?" required respondents to indicate the suitability of 23 CMAPs to their hotels on a five-point Likert scale [1= Very Unsuitable, 2= Unsuitable, 3= Neither suitable nor unsuitable, 4= Suitable, 5= Very Suitable]. This question was also meant to aid the researcher to determine the respondents' perceptions on suitability of 23 CMAPs to SMEs operating in the hotel sector of the Cape Metropole.

3.5.5 Section C: Extent of adoption of conventional management accounting practices

Section C was meant to address the second research objective listed above, namely; to determine the extent to which the SMEs operating in the hotel sector of the Cape Metropole have adopted the CMAPs deemed to be suitable to the sector.

The section comprised two questions; namely question 10 and question 11. Question 10, “has the business adopted any of management accounting practices listed in question 9?” Which required a “yes” or “no” response, was meant to determine whether the respondent’s business had adopted any of the 23 CMAPs that were listed in question 9, in order to filter those who would proceed to question 11.

Question 11, “to what extent does the business use following management accounting practices?” Which required a response on a five-point Likert scale [1= Never, 2= Some extent, 3= Moderate extent, 4= Great extent, 5= Very Great extent] was meant to assess the extent to which the respondent’s business uses 23 CMAPs deemed to be suitable for SMEs operating in the hotel sector.

3.5.6 Section D: Perceived usefulness of conventional management accounting practices

Section D was meant to address the third research objective listed above, namely; to assess the perceived usefulness of CMAPs adopted by SMEs to the decision-makers of these entities. The section comprised one question, namely; question 12, “how useful are the following conventional management accounting tools to the business? “Which required a response on a five-point Likert scale [1= Not useful, 2= Slightly useful, 3= Moderately useful, 4= Useful, 5= Very useful] was meant to assess the usefulness of 23 CMAPs as perceived by the decision-makers of the sampled SMEs.

3.5.7 Section E: Factors that inhibit the business from adopting conventional management accounting practices

Section E was meant to address the fourth research objective listed above, namely; to determine the factors, if any that inhibit SMEs from using CMAPs.

The section comprised two questions, namely; question 13 and question 14. Question 13, “are there any factors that inhibit the business from adopting conventional management accounting

practices listed above?” Which required a “yes” or “no” response, was meant to determine whether there were any factors that inhibit the sampled SMEs from adopting CMAPs and to filter the respondent’s that would proceed to question 14.

Question 14, “to what extent do you agree with the following statements regarding the factors that inhibit the business from adopting conventional management accounting practices listed above?” Was meant to determine the factors that hinder the sampled hotels from adopting CMAPs. This question required respondents to indicate the extent to which they agreed or disagreed with 16 statements on a five-point Likert scale [1= Strongly Disagree, 2= Disagree, 3= Neither agree nor disagree, 4= Agree, 5= Strongly Agree].

3.6 PILOT STUDY

Prior to the commencement of data collection, the questionnaire was pilot tested to ensure that its wordings were clear and understandable to the respondents. To this end, the questionnaires were critically reviewed by five academics with experience in questionnaire design. The academics were requested to explain their understanding of each question and to point out any potential weaknesses that would render the questionnaire not to be user-friendly. The researcher also used this process to assess the length of time it took for the academics to complete the questionnaire.

During the pilot study, some shortcomings were identified in the questionnaire that included; a lack of clarity in some instructions, leading questions, incoherency in the questions as well as inclusion of two questions in one question. These shortcomings were rectified to the satisfaction of the academics, the questionnaire was deemed to be clear, concise, and user-friendly and thus was deemed to be suitable for collecting data for this study.

3.7 DATA COLLECTION PROCESS

Prior to collecting data, the researcher obtained permission from the gate keepers of the sampled SMEs. During the data collection process, the researcher approached potential respondents in person, introduced himself, explained the purpose of the study and invited potential respondents to participate in the study. Those that agreed to participate were asked to sign an informed consent form before a copy of the questionnaire was handed to them to complete at their own convenient

time. The respondents were given two weeks to complete the questionnaire, which was collected by the researcher in person at the agreed upon date and time. In some cases, the respondents asked to complete the questionnaire as the researcher waited. The hand-delivery approach was deemed to be suitable as it gave the researcher an opportunity to explain the purpose of the study, the research methodology employed, and ethical consideration such as anonymity of respondents and confidentiality of information divulged as well as the limited risk of participating in the research, an aspect that encouraged potential respondents to participate in the study. The hand delivery approach was also suitable for the study as it saved time and increased the response rate.

Although the respondents were granted an opportunity to complete the questionnaires at their convenient time, in some cases the researcher waited while respondents completed the questionnaires. In few instances, the researcher made numerous follow-up visits, where a respondent had promised to complete the questionnaire but had failed to do so within the agreed time.

3.8 DESCRIPTION OF DATA ANALYSIS METHODS ADOPTED

Data collected from the completed questionnaires was analysed using both descriptive and inferential statistics. The Statistical Package for Social Science (SPSS) version 25.0 was utilised for data analysis purposes. This software was selected for various reasons: Firstly, it aids the researcher to spot data-entry errors and unusual data points. Secondly, it avails a faster and easier access to frequency, descriptive and inferential statistics functions given that it has these functions in pull-down menus. Thirdly, the SPSS has added functions that aid a researcher with the interpretation of statistical results. Fourthly, the SPSS provides a wide range of graphs and charts, and facilitates the creation of complex graphs in an easy manner using pull-down menus. In this study, both descriptive and inferential statistics were used to analyse the data collected and are thus elaborated on below.

3.8.1 Descriptive statistics

Descriptive statistics provide simple summaries about the sample and observations made. Some of the measures that are typically used to describe the sample include measures of central tendencies such as arithmetic mean, mode, median and measures of dispersion such as standard

deviation and variance. For this study, percentages and graphs were used to summarise and describe data responses. In addition, an arithmetic mean was used to summarise and rank the responses for the five-point Likert scale questions. For these questions, a standard deviation was computed to determine the level of agreement of respondents' response on a particular statement, with less than one indicating an agreement and more than one indicating a disagreement.

3.8.2 Inferential statistics

Inferential statistics enable a researcher to infer about a population from the observations and analysis of data obtained from a sample. They allow researchers to infer how variables relate to each other or generalise observations made from samples (Al – Mubarack, 1997:205). They also enable researchers to apply the conclusions that have been obtained from an experimental study to more general populations (Collis & Hussey, 2009:3). In this study, a binominal test was used to test for significant differences between proportion of respondents that said “Yes” and the proportion that said “No” in the questions that required a “Yes” or “No” response.

3.9 MEASURES TO ENSURE RELIABILITY AND VALIDITY

3.9.1 Reliability for the research instrument

Reliability refers to the consistency, stability, or repeatability, with which a survey instrument measures an attribute (Wollack, 2003: 02). It further refers to the extent to which a research instrument can yield the same results on different occasions (Pilot & Hunger, 1999: 255). In this study, the reliability of the questionnaire was tested during the pilot-test stage. During the pilot-test, the questionnaire was administered to five academics with vast experience in questionnaire design and found to be unambiguous, simple, clear, understandable and thus should have been able to yield the same results if administered to the same respondents at different times (Maree, 2010:215).

To further test for reliability, a reliability test using Cronbach's Alpha Coefficient was conducted to test the internal reliability of the questionnaire (Saunders, Lewis & Thornill, and 2007: 369). The computed Cronbach's Alpha Coefficient for the Likert scale questions of the questionnaire are presented in the table below.

Table 3. 1: Cronbach Alpha Testing (Source: Own Source)

Key Items in the Questionnaire	Cronbach Alpha	Std. Cronbach's Alpha
Q.8. To what extent do you agree with the following statements meant to assess the suitability of conventional management accounting practices to small and medium enterprises operating in the hotel sector in Cape Metropole?	0.924	0.925
Q.9. How suitable are the following management accounting practices to the business?	0.929	0.930
Q.11. To what extent does the business use following management accounting practices?	0.966	0.965

Q.12. How useful are the following conventional management accounting tools to the business?	0.969	09.69
Q.14. To what extent do you agree with the following statements regarding the factors that inhibit the business from adopting conventional management accounting practices listed above?	0.799	0.812
Average Cronbach Alpha Coefficient	0.9174	0.9202

Note: Average Cronbach Alpha Coefficient: Total Cronbach Alpha/Number of questions.

The computed average Cronbach's Alpha Coefficient for the items in the questionnaire was 0.9174 for the raw variables and 0.9202 for standardised variables. Given that the Cronbach's Alpha Coefficient results are above 0.7, the questionnaire was deemed to be reliable and consistent as it had a good estimate of internal consistency and reliability. Bruwer (2010:40) reiterates that if the Cronbach's Alpha Coefficient exceeds 0.7, the questionnaire is reliable and internally consistent.

Validity of the research instrument

Validity refers to the extent to which a data collection instrument measures what it is supposed to measure (internal validity) and whether it leads to a valid conclusion (external validity) (Leedy & Ormrod, 2005: 31). The two types of validity are expounded on below.

3.9.2 Internal validity

There are various types of internal validity, for the purpose of this study, only construct and content validity were deemed relevant and are thus discussed below.

3.9.3 Construct validity

Construct validity refers to the extent to which the research instrument actually measures the construct that is being investigated (Brynard & Hanekon, 2006: 48; Aparasu & Bentley, 2013). In essence, construct validity answers questions such as: is the research instrument measuring what it should be measuring? How relevant are the questions included in the questionnaire for achieving the purpose of the study (Huisamen & Weyers, 2014:1-8)?

One way of ensuring construct validity is by pilot testing (Rowley, 2002). In the context of this study, the questionnaire was reviewed by selected five academic experts with vast experience in questionnaire design. During this process, the input of the academic experts was sought by requesting them to suggest any possible weaknesses in the questionnaire that undermined its construct validity. The questionnaire was amended as per the suggested corrections to enhance construct validity.

Another way to enhance construct validity of a questionnaire is by assuring the objectivity of the questions in a questionnaire through linking the questions posed to the original research questions (Rowley, 2002). As recommended by Rowley (2002), the questions included in the questionnaire were directly derived and linked to the first, second, third and fourth research sub-questions, an approach that was deemed to have enhanced construct validity.

3.9.4 Content validity

Content validity refers to the extent to which all facets of a given construct are covered by a research instrument (Leedy & Ormrod, 2005: 31). To ensure content validity, the five academics with vast experience were also requested to advise on the whether all facets of the research objectives of this study were covered by the research instrument. Based on their advice, the questionnaire was amended accordingly by including questions that were perceived to increase coverage and deleting those that were deemed not to contribute to the enhancement of the content validity, of the questionnaire.

3.9.5 External validity

External validity relates to the extent to which the conclusions drawn from the selected sample can be generalised to the entire population or similar populations in terms of times, settings or contexts (De Vaus, 1993: 54; Leedy & Ormrod, 2005:105). In general, achieving external validity requires that a random sampling method be employed to ensure that the sample is representative of the population (Brynard & Hanekom, 2006:48). Although this technique was not employed due to a lack of a complete list of hotels SMEs operating in the Cape Metropole, the fact that a target sample size of 100 SMEs was set, in order to increase the representativeness of the sample, external validity was deemed to have enhanced, even if only to some extent.

3.10 LIMITATIONS OF THE QUESTIONNAIRE SURVEY

The limitations of a questionnaire survey method were discussed in chapter one in section 1.11. Key among these limitations is non-response bias, which is the bias that occurs when intended potential respondents do not participate in the survey, or fail to respond to some particular questions due to certain characteristics they possess that differ from those who agree to answer the questionnaire or who answer all the questions of the questionnaire (De Vos *et al.*, 2011). Non-response bias erodes the randomness of the sample thus resulting to a sampling bias that makes the sample not to be representative of the population under study, an aspect that reduces the external validity of its findings (Vogt, 2005:210).

To minimise the effect of a non-bias, different decision-makers, who comprised managers (duty managers and operational managers), owners, and accountants of the businesses, both male and female, from different hotel sizes, small and medium, were approached and encouraged to participate in the survey. In addition, respondents' profiles were analysed to ensure that different hotel decision-makers with different characteristics had answered the questionnaire. Furthermore, the researcher persuaded different hotel decision-makers to take part in the survey even if they had little interest in any of the CMAPs that were surveyed (De Villers & Van Staden, 2010: 13).

As already alluded to, purposeful sampling method was employed to select the desired sample for the study. This creates a possibility that the selected sample might not be representative of the population, because the sample was not chosen randomly. This limitation was mitigated by sampling 100 hotel SMEs that operate in the Cape Metropole (see section 3.4.1). Another well-documented limitation of a questionnaire is a low response rate which may render the results not to be representative of the population (Saunders *et al.*, 2007:98). The risk of a low response rate was mitigated by setting a target of 100 hotel SMEs for inclusion in the sample. In addition, only closed-ended questions were included in the questionnaire to shorten the instrument and thus encourage the respondents to partake in the survey.

Another limitation of using a questionnaire survey especially when it is administered to hotel SMEs decision-makers, managers, owners or accountants is their reluctance to participate in a survey owing to their busy schedule. To overcome this challenge, the researcher explained the purpose of the study to the potential respondents and encouraged them to participate in the study.

In addition to this, the researcher visited some respondents severally and reassured them that any information they divulge will be kept and treated confidentially.

Although only the managers, owners and accountants were deemed to be the decision-makers of the hotels sampled in this study, in reality, they may not be the only decision-makers of SMEs operating in the hotel sector. Therefore, this study is limited as some potential decision-makers of the sampled hotels were excluded. However, the selection of the above-mentioned participants is justified, as they are ones likely to be familiar with the use of CMAPs in their hotels.

Yet another limitation of this study is that it only focused on SMEs operating in the hotel sector of the Cape Metropole. Its findings may therefore not be generalisable to SMEs in other sectors, or to other parts of South Africa.

Finally, some of the questionnaires that were hand-delivered to the respondents got lost at the reception (due to different shifts, workers misplacing them), or were returned incomplete (De Vos, 2011:188). In these cases, the researcher had to re-visit the respondents several times to re-distribute the questionnaire to them, an aspect that increased data collection costs.

3.11 ETHICAL CONSIDERATIONS

This study involved collecting data from human participants via a questionnaire. Accordingly, approval was required from the Faculty of Business and Management Sciences Ethics Committee of the Cape Peninsula University of Technology. To this end, an application was made for ethical clearance by the committee. The committee requires that the participants of a study be protected from physical, social, psychological harm or any potential negative repercussion that may rise as a result of participating in the research. This typically requires that their informed consent be obtained prior to administering a questionnaire and that their confidentiality and anonymity be maintained.

3.11.1 Informed consent

To adhere to the strict requirements of the Ethics Committee, the researcher obtained permission to conduct a questionnaire survey from the gate keepers of the sampled SMEs. The researcher then

visited the premises of the potential respondents in person and invited the potential respondents to participate in the study. The researcher explained the main purpose of the research to the potential respondents and reiterated that the respondents' participation was completely voluntary and that they had a right to withdraw from participating in the study, at any time, if they wish to do so, without any obligation. A consent letter was then handed to the potential respondents, who were requested to read and ask questions for clarity, if required. Only after a respondent's consent was obtained via a written signature was the questionnaire handed to them.

3.11.2 Confidentiality and anonymity

Several measures were taken to ensure confidentiality and anonymity of the respondents. To start with, the personal details of the respondents, such as names, their organisations and address were not included in this dissertation or journal articles derived therefrom. In addition, the respondents were given an option to remain completely anonymous, were assured that the information divulged would be held in strict confidence, used for research purpose only and would not be divulged to third parties. Furthermore, data was captured anonymously to hide the identities of the participants. The respondents were also informed that the findings of this study would be made available to them if they so requested.

3.12 SUMMARY AND CONCLUSIONS

The objective of this chapter was to describe the research methodology used to collect the data required to meet the objectives of this study. The chapter began with a discussion of the research paradigm that was adopted, as well as the justification for the questionnaire survey methodology that was used in this study. The chapter then discussed the research population and sampling technique employed in this study, followed by design of the questionnaire. The pilot test conducted on the questionnaire to ensure its clarity, conciseness and understandability was discussed, as well as the data collection process, in form of a hand-delivery of self-administered questionnaire. The descriptive and inferential statistics used to analyse the data were discussed, followed by the measures undertaken to ensure the reliability and validity of the research instrument. The limitations of the questionnaire survey methodology adopted were also discussed alongside the ethical considerations of this research.

From the foregoing, the research methodology outlined in this chapter is deemed to be appropriate to address the research objectives of this study. The next chapter (Chapter 4) provides the data analysis, results and discussion relating to the research objectives stated in the introduction of this chapter.

CHAPTER 4

ANALYSIS AND DISCUSSION OF RESULTS

4.1 INTRODUCTION

The main purpose of this chapter is to analyse and discuss the results of the questionnaire survey conducted to investigate the adoption of Conventional Management Accounting Practices (CMAPs) by SMEs operating in the hotel sector of Cape Metropole. This chapter proceeds by restating the specific research objectives of the study in Section 4.2. Thereafter, Section 4.3 provides a discussion of the response rate. This is followed by a discussion of respondents' personal profile as well as that of their businesses in Section 4.4. Section 4.5 analyses and discusses the results on the suitability of CMAPs to SMEs operating in the hotel sector, while Section 4.6 provides an analysis and discussion of the results on the extent of adoption of CMAPs by the sampled SMEs. Section 4.7 analyses and discusses the results on the perceived usefulness of CMAPs, while Section 4.8 analyses and discusses the results on the factors that inhibit SMEs from adopting CMAPs. Lastly, Section 4.9 provides the summary and conclusion of the chapter.

4.2 RESTATEMENT OF RESEARCH OBJECTIVES

The main purpose of this study was to determine the extent to which SMEs operating in the hotel sector of the Cape Metropole have adopted CMAPs. To achieve this purpose, the following research objectives were formulated:

1. To determine the CMAPs that are suitable for SMEs operating in the hotel sector.
2. To determine the extent to which the SMEs operating in the hotel sector of the Cape Metropole have adopted the CMAPs deemed to be suitable to the sector
3. To assess the perceived usefulness of CMAPs adopted by SMEs to the decision-makers of these entities.
4. To determine the factors, if any, that inhibit SMEs from using CMAP
- 5.

4.3 RESPONSE RATE

Due to a lack of a comprehensive list of all SMEs operating in the hotel sector in the Cape Metropole, a target sample of 100 SMEs was set. To meet this target, the researcher hand-delivered

150 questionnaires to SMEs in the hotel sector in Cape Metropole using purposeful sampling technique. Out of these questionnaires, only 100 were returned as 15 of the 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% (see Table 4.1). This rate was higher than that of comparable studies (Abdel-kader & Luther, 2006; Ahmad, 2012; Lungiswa, 2009) and conforms to the recommendation by Fowler (1988) that a response rate should be at least 20% to provide credible statistics about a population.

Table 4. 1: Response rate

	Number of respondents	Percentages
Number of respondents invited to participate	150	100%
Declined to participate	-15	-10%
Misplaced questionnaire	-35	-23%
Completed questionnaires received	100	67%

4.4 RESPONDENTS' PERSONAL AND BUSINESS PROFILE

In Section A of the questionnaire, the respondents were asked to provide information on their personal profile as well information on the profile of their respective businesses. The personal profile information requested included: 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.

4.4.1 Position in the business

With regard to respondents' position in their business, 39% of the respondents were managers, 24% were owners, while another 24% were both owners and managers. Only 13% of respondents were accountants. The results thus show that only the targeted decision-makers of SMEs participated in the survey, which had defined decision-makers of SMEs as owners, managers, and accountants.

Table 4. 2: Position in the business

What is your position in the business?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Owner	24	24.0	24.0	24.0
	Manager	39	39.0	39.0	63.0
	Owner and Manager	24	24.0	24.0	87.0
	Accountant	13	13.0	13.0	100.0
	Total	100	100.0	100.0	

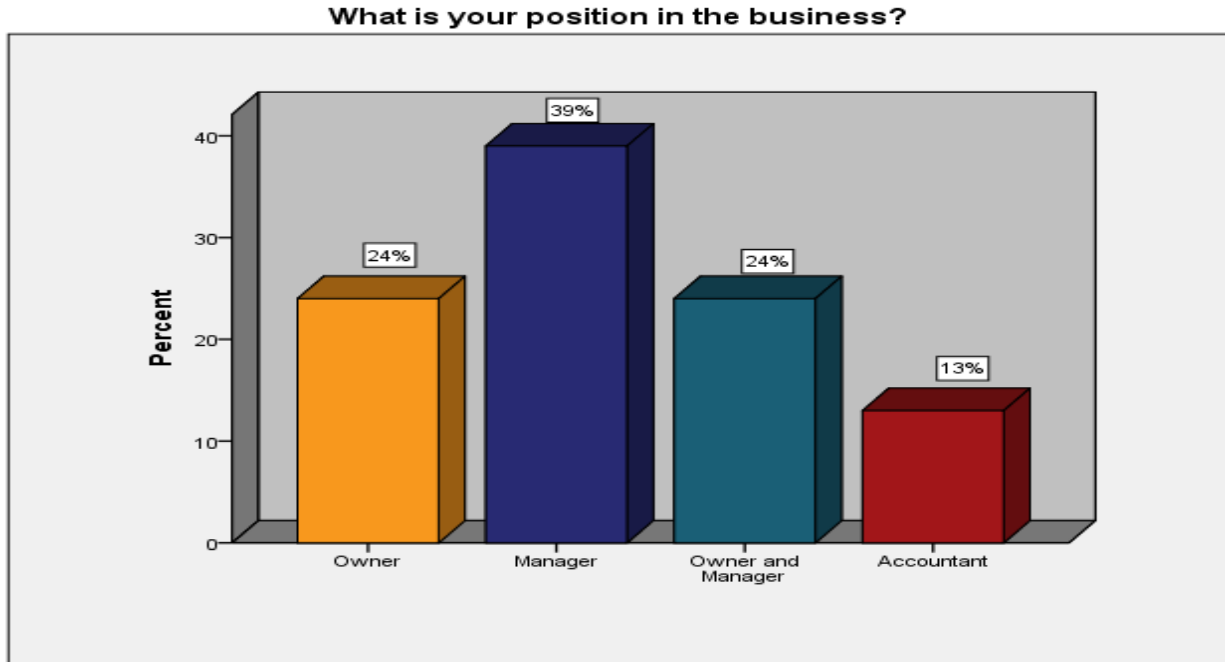


Figure 4. 1: Position in the business

4.4.2 Number of years in the above position

As shown in Table 4.3 and Figure 4.2 below, 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.

Table 4. 3: Respondents years of experience

How long have you been in the above position?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 year	9	9.0	9.0	9.0
	1-5 years	39	39.0	39.0	48.0
	6-10 years	27	27.0	27.0	75.0
	Above 10 years	25	25.0	25.0	100.0
	Total	100	100.0	100.0	

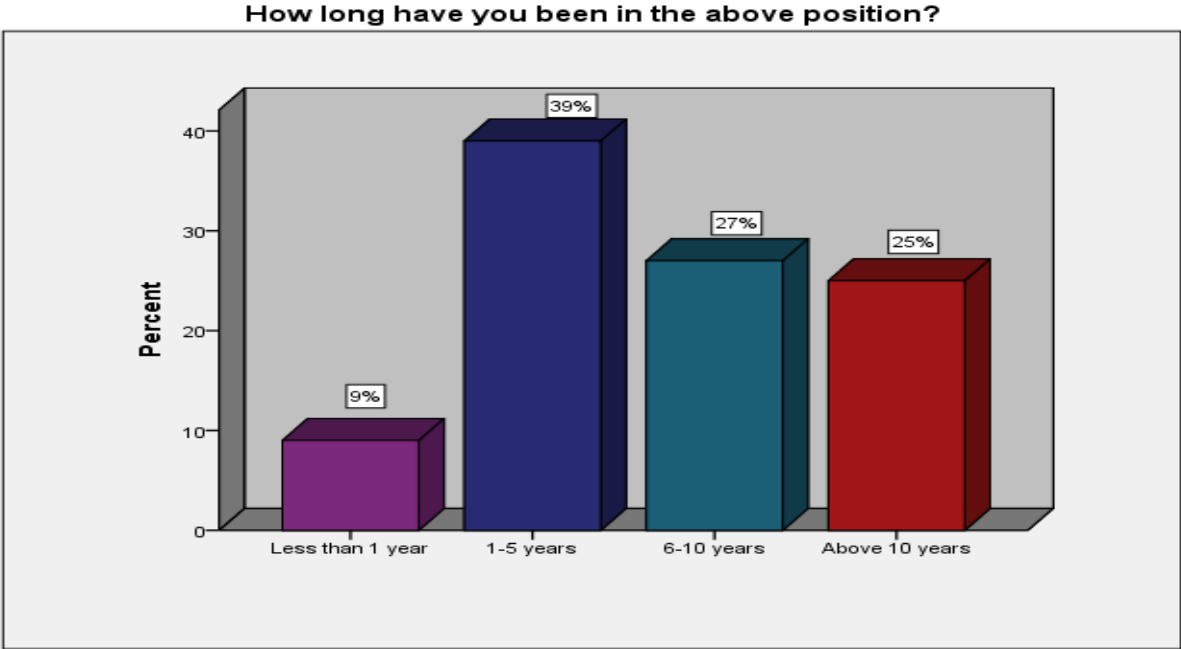


Figure 4. 2: Respondents years of experience

4.4.3 Number of years that their business had been operating

As far as the number of years that the respondents' businesses have been operating is concerned, the analysis of the results indicated that 35% of the businesses have been operating for more than 10 years (see Table 4.4 and Figure 4.3), 31% had been operating for between one and five years, while 25% have been operating for between six and 10 years. Only 9% have been operating for less than one year. The above results suggest that 60% of the businesses have been operating for more than 6 years and thus had adequate time to implement CMAPs, thus were ideal for this study.

Table 4. 4: How long has the business been in existence

How long has the business been operating?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 year	9	9.0	9.0	9.0
	1-5 years	31	31.0	31.0	40.0
	6-10 years	25	25.0	25.0	65.0
	Above 10 years	35	35.0	35.0	100.0
	Total	100	100.0	100.0	

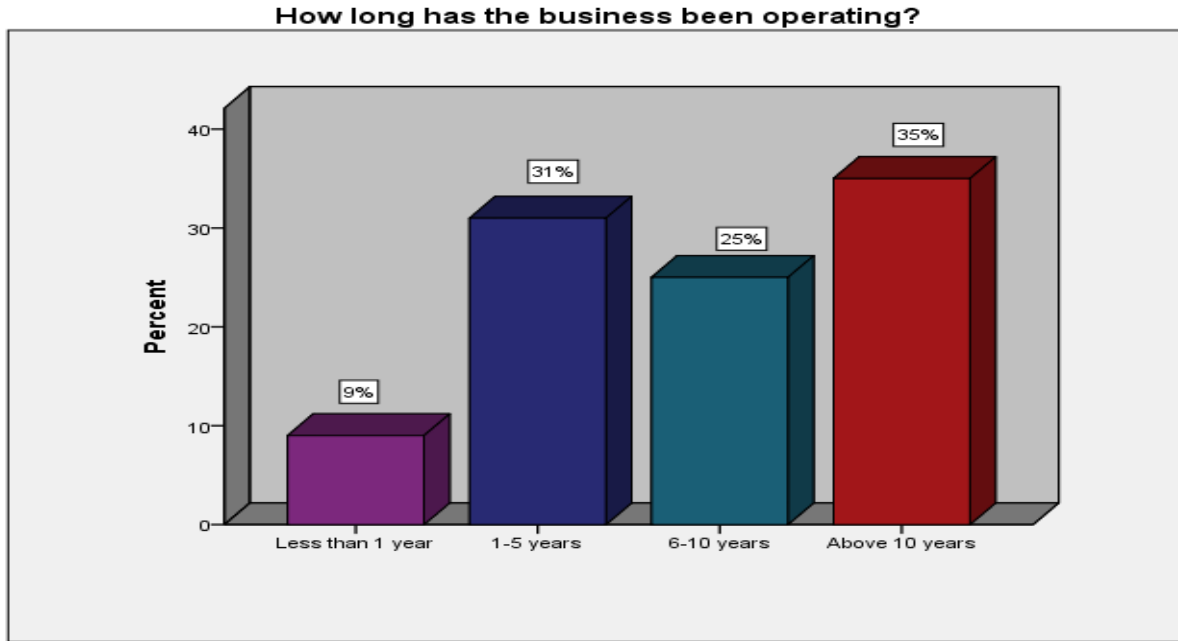


Figure 4. 3: How long has the business been operating.

4.4.4 Highest level of education

With respect to respondents' highest level of education, the results revealed that 57% of the respondents had a diploma (see Table 4.5 and Figure 4.4), 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.

Table 4. 5: Respondents highest level of education

What is your highest level of education?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Matric	8	8.0	8.0	8.0
	Short course	7	7.0	7.0	15.0
	Diploma	57	57.0	57.0	72.0
	Bachelor/Degree	26	26.0	26.0	98.0
	Masters	2	2.0	2.0	100.0
	Total	100	100.0	100.0	

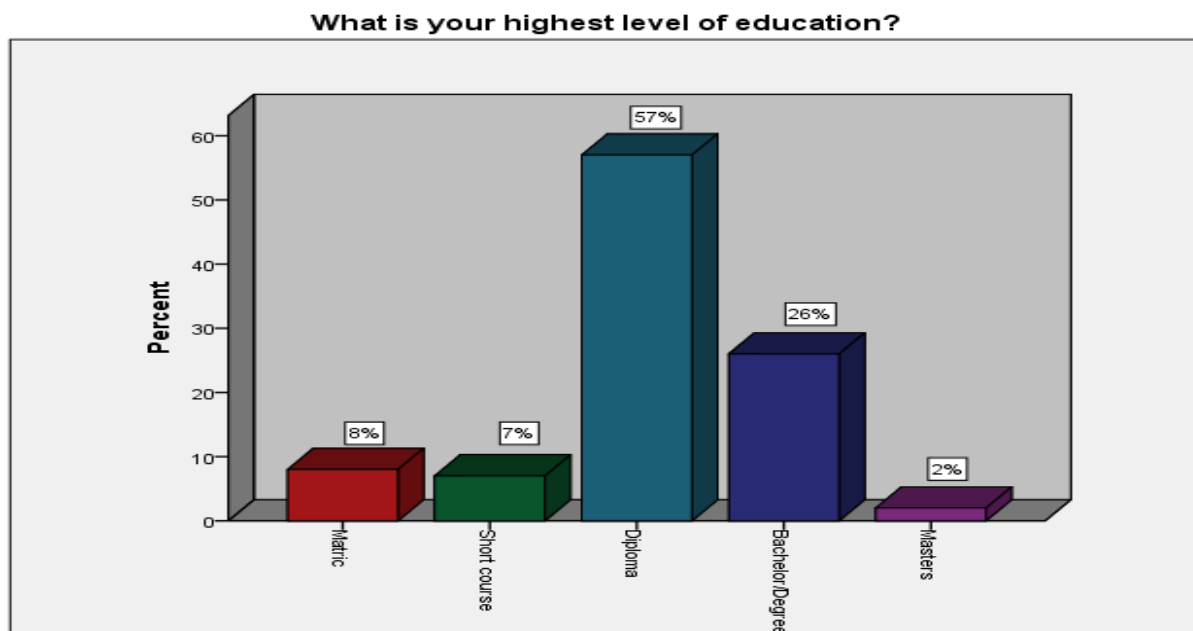


Figure 4. 4: Respondents highest level of education.

4.4.5 Whether the highest level of education was accounting related

Concerning whether the respondents' 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 4.6 and Figure 4.5). Although half of the respondents' highest level of education was not accounting related, they were involved in internal decision-making, which requires management accounting information, thus should have been familiar with CMAPs used within their hotels. The other half of the respondents had accounting related qualifications and thus should have been familiar with the CMAPs, the adoption of which was investigated in this thesis.

Table 4. 6: Whether highest qualification was accounting related

Was the above qualification accounting related?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	50	50.0	50.0	50.0
	No	50	50.0	50.0	100.0
	Total	100	100.0	100.0	

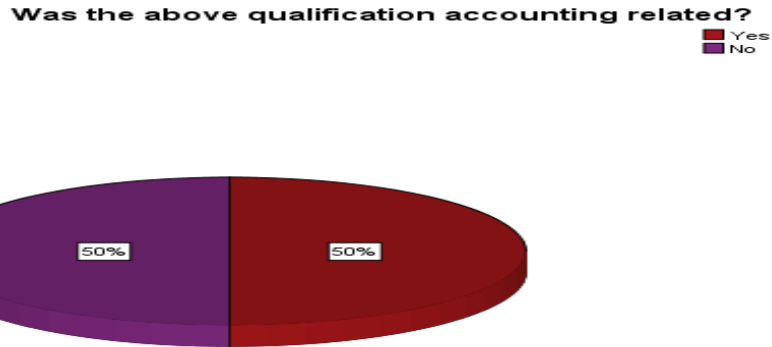


Figure 4. 5: Qualification accounting related.

4.4.6 Business number of employees

In relation to the number of employees, 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.

Table 4. 7: Number of employees

What is the number of employees in your business?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5	12	12.0	12.0	12.0
	6-10	22	22.0	22.0	34.0

11-20	44	44.0	44.0	78.0
21-50	13	13.0	13.0	91.0
51-100	9	9.0	9.0	100.0
Total	100	100.0	100.0	

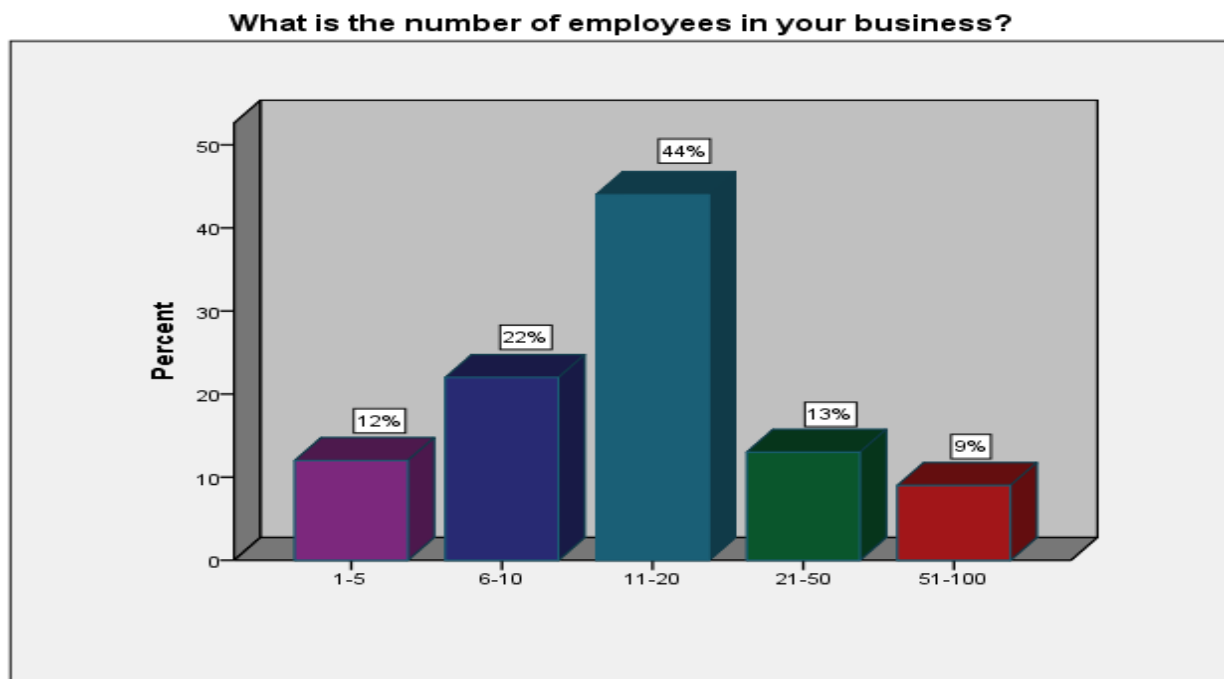


Figure 4. 6: Number of employees.

4.4.7 Number of rooms in the hotel

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. This indicates that almost all, except one, of the sampled hotels were relatively small in size, a description that fits SMEs.

Table 4. 8: Number of rooms

How many rooms does the hotel have?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 100	99	99.0	99.0	99.0
	100-300	1	1.0	1.0	100.0
	Total	100	100.0	100.0	

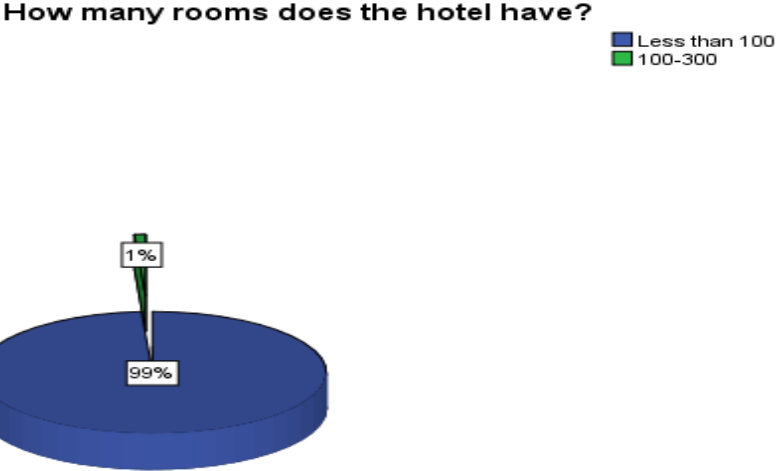


Figure 4. 7: Number of rooms.

4.4.8 Non-response bias

From the foregoing results, it is apparent that a heterogeneous group of respondents had been selected for 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.

4.5 SUITABILITY OF CMAPS

Section B of the questionnaire, which comprised two questions, namely; question 8 and question 9, was meant to determine the suitability of CMAPS to SMEs operating in the hotel sector. In question 8, the respondents were asked to indicate to what extent do they agree with 26 statements regarding, the suitability of CMAPS to SMEs operating in the hotel sector in Cape Metropole. The respondents were required to indicate their degree of agreement or disagreement with the 26 statements on a five-point Likert scale with weightings of one for strongly disagree, two for disagree, three for neither agree nor disagree, four for agree and five for strongly agree. Accordingly, the closer the mean was to five, the more the respondents agreed with the statement.

For the sake of clarity, the percentages of those that either strongly agreed or agreed with the statements were added together and reported as “percentage that agree with the statement” as shown in the second column of Table 4.9. In addition, those who neither agreed nor disagreed were reported as disagreeing with the statement as these words suggest a lack of a clear stand. This approach is justified as it ensured that only those who indicated that they strongly agree or agree with the statements are reported as such, and it has been used successfully in similar prior studies (Kamala & Andile, 2017).

As indicated in Table 4.9 below, most respondents agreed that their business needs accounting information to analyse its risks and uncertainty (71%). A majority of respondents also agreed that that their business increasingly needs to optimise on its utilisation of scarce resources (70%), and that their business needs accurate data on costs of various products (69%). Of the sampled respondents, 69% agreed that determination of the break-even point is important for the

management of their businesses, a similar percentage agreed that their business prepares budgets that are flexible to accommodate sudden unexpected changes.

Most respondents also agreed that their business needs accounting information to minimise inventory wastages (68%) and that managers of their hotels are increasingly interested in the profitability of each service rendered (65%). Likewise, most agreed that managers of their hotels are increasingly interested in the profitability of each customer (64%) and that their businesses need projections to plan for revenues and costs (63%).

Of the sampled respondents, most indicated that their business offers variety of services due to diverse needs of its clients (62%), and that the managers of their hotels need accurate accounting data for benchmarking against competitors (61%). A similar percentage to the latter indicated that the accounting information that the management is using meets its needs (61%), and that their management is increasingly relying on accurate and timely accounting and statistical information to make day-to-day decisions (61%).

The other respondents also agreed with the statements that: managers are increasingly interested in the profitability of each section of their business (60%); the profitability of some of the business' services is questionable given the complexity of the processes required to manufacture them yet they appear to be lowly priced (60%); the business has a high volatility in demand and a fixed costs structure (60%); the costs of the various services offered by the business have increased dramatically (59%); the costs of our products vary significantly depending on the season of the business (58%); and that the managers are increasingly using both financial and non-financial information when making decisions (58%). Other statements agreed to are: the business need long range forecasts for long-run planning (57%); costs of providing services are increasingly getting out of control (55%); the management is increasingly interested in the relationship between cost, volume and profitability of the business' products (54%); the business has Excess or shortage of perishable inventory (52%); the business is increasingly experiencing intense competition (52%) and investment decisions are only made if justified by accounting data (50%).

In short, all 26 statements pertaining to suitability of CMAPs to SMEs operating in the hotel sector were agreed to by at least 50% of the respondents, albeit to a varying extent.

The means reported more or less echoed the results portrayed by the percentages. The standard deviations of less than one for all 26 statements indicate agreement in the responses of the respondents.

In sum, given that at least 50% of the respondents agreed with all the 26 statements meant to assess the suitability of these practices to SMEs, one can conclude that CMAPs are perceived to be suitable for SMEs.

The above results are consistent with those of Legaspi (2018) who found that CMAPs were suitable for SMEs operating in the hotel sector. The above results however contrast those of Santos's *et al.* (2012) who found that CMAPs were unsuitable for these entities. The reason for disparity in results is that Santos's *et al.*'s (2012) study was conducted more than eight years ago when most SMEs were still questioning the suitability of CMAPs to their businesses.

The above results also support the contingency theory which reiterates that the suitability of an accounting practice to a particular entity is dependent on situational factors faced by that entity (Granlund and Lukka, 2017: 70), which include; technology, organisation size, market competition intensity and the level of qualification of accounting staff. It thus would appear that the situational factors that make CMAPs suitable for organisations already exist among the SMEs. For instance, the proliferation of technology at a low cost have made it affordable to these entities, regardless of their sizes. Likewise, these entities are increasingly facing intense competition and are having to employ higher level qualified accountants.

Table 4. 9: Statements for assessing suitability of CMAPs to SMEs

Statement of suitability of CMAPs	Percentage that agree with the statement	Respondents	Standard deviation
		N = 100	
		Mean	

i.	The business needs accurate data on costs of various products	69%	3.77	.763
ii.	The costs of the various services offered by the business have increased dramatically	59%	3.53	.784
iii.	The costs of our products vary significantly depending on the season of the business	58%	3.53	.881
iv.	The business needs projections to plan for its revenues and costs	63%	3.61	.815
v.	Costs of providing services are increasingly getting out of control	55%	3.47	.771
vi.	The business is divided into various cost centers that are increasingly difficult to track	49%	3.38	.749
vii.	Managers are increasingly interested in the profitability of each section of the business	60%	3.63	.747
viii.	Managers are increasingly interested in the profitability of each service rendered	65%	3.74	.676
ix.	The profitability of some of the business' services is questionable given the complexity of the processes required to manufacture them, yet they appear to be lowly priced	60%	3.62	.693
x.	Managers are increasingly interested in the profitability of each customer	64%	3.60	.778
xi.	The managers need accurate accounting data for benchmarking against competitors	61%	3.60	.739

xii.	The managers are increasingly using both financial and non-financial information when making decisions	58%	3.64	.659
xiii.	The management is increasingly interested in the relationship between cost, volume and profitability of the business' products	54%	3.55	.783
xiv.	Investment decisions are only made if justified by accounting data	50%	3.45	.757
xv.	The business need long range forecasts for long-run planning	57%	3.58	.806
xvi.	The accounting information that the management is using meets its needs	61%	3.71	.729
xvii.	Determination of the break-even point is important for the management	69%	3.75	.657
xviii.	The business prepares budgets that are flexible to accommodate sudden unexpected changes	69%	3.74	.613
xix.	The business needs accounting information to minimise inventory wastages	68%	3.76	.622
xx.	The business increasingly needs to optimise on its utilisation of scarce resources	70%	3.78	.645
xxi.	The business needs accounting information to analyse its risks and uncertainty	71%	3.78	.719
xxii.	The management is increasingly relying on accurate and timely accounting and statistical information to make day-to-day decisions	61%	3.67	.753

xxiii. The business has a high volatility in demand and a fixed costs structure	60%	3.59	.653
xxiv. The business has excess or shortage of perishable inventory	52%	3.52	.759
xxv. The business is increasingly experiencing intense competition	52%	3.57	.807
xxvi. The business offers variety of services due to diverse needs of its clients	62%	3.64	.823

Scale: 1=strongly disagree, 5=strongly agree (Source: Field work)

In question 9, respondents were asked to indicate the suitability of 23 CMAPs to their hotels on a five-point Likert scale with weightings of one for very unsuitable, two for unsuitable, three for neither suitable nor unsuitable, four for suitable and five for very suitable. Therefore, the closer the mean was to five, the more respondents perceived a CMAP to be suitable.

For the sake of clarity and conciseness, the percentages of those who indicated that a CMAP is either suitable or very suitable were added up together and reported as “percentage that perceive the CMAP to be suitable to their business” in the second column of Table 4.10. In addition, those who indicated that a given CMAP is neither suitable nor unsuitable for their businesses were conservatively reported as refuting the suitability of the practice to their business. This approach is justified as it ensured that only those who indicated that CMAPs are suitable for their businesses were reported as such, and it has been used successfully in other similar prior studies (Kamala & Maduekwe, 2016). The results are shown in Table 4.10.

As shown in Table 4.10, budgeting (92%) was perceived as the most suitable CMAP, followed by forecasting (78%), and then cost, volume and profit analysis to determine the break-even point (75%). Other CMAPs that were perceived to be suitable by most respondents included variance analysis (analysis of deviation from budgets and standard costs) (71%), industry competitor analysis (70%) and financial and non-financial performance measurement techniques (67%). Ordering of optimal inventory (67%), capital budgeting approaches (65%), cost plus pricing techniques (using cost as the basis for determining prices) (63%), cost management and control techniques (63%), theory of constraints (63%), real time performance indicator dash boards (63%), just in time system (63%), working capital management techniques (62%) and what if analysis (62%), were also perceived by a majority of respondents to be suitable for SMEs operating in the hotel sector.

Other CMAPs were also perceived to be suitable to the SMEs but to a lesser extent. These included: benchmarking against competitors (61%); continuous cost reduction techniques (Kaizen costing) (61%); financial and non-financial performance evaluation of each manager and the department managed (60%); activity based costing (billing customers according to the activities they undertake in the hotel rather than a flat rate) (55%); product life cycle analysis (Monitoring cost of a service rendered from its commencement to when it is discontinued) (55%); ratio analysis of departmental financial statements (54%); setting and pursuing set targets of costs (52%) as well as elimination of non-added activities to the service rendered (52%).

In short, all 23 CMAPs were perceived to be suitable by at least 50% of the respondents, albeit to a varying extent. The means obtained also mirrored the percentages indicated. The standard deviations of less than one for all 23 CMAPs indicate agreement in the responses of the respondents.

Table 4. 10: How suitable are the following CMAPs to the business

CMAPs	Percentage that perceive the CMAP to be suitable to their business	Respondents	Standard deviation
		N = 100	
		Mean	
i. Forecasting	78%	3.97	.731
ii. Budgeting	92%	4.27	.601
iii. Variance analysis (analysis of deviation from budgets and standard costs)	71%	3.80	.651
iv. Cost, volume and profit analysis to determine the break-even point	75%	3.85	.672
v. Cost plus pricing techniques (using cost as the basis for determining prices)	63%	3.68	.634
vi. Capital budgeting approaches (to allocate funds available to competing investment alternatives)	65%	3.74	.676
vii. Financial and non-financial performance measurement techniques	67%	3.71	.640
viii. Industry competitor analysis	70%	3.73	.649
ix. Cost management and control techniques	63%	3.72	.683

x.	Working capital management techniques	62%	3.69	.662
xi.	Ratio analysis of departmental financial statements	54%	3.58	.669
xii.	Benchmarking against competitors	61%	3.62	.678
xiii.	Financial and non-financial performance evaluation of each manager and the department managed	60%	3.61	.709
xiv.	Activity based costing (billing customers according to the activities they undertake in the hotel rather than a flat rate)	55%	3.56	.729
xv.	Setting and pursuing set targets of costs	52%	3.53	.717
xvi.	Product life cycle analysis (monitoring the cost of a service rendered from its commencement to when it is discontinued)	55%	3.55	.642
xvii.	Elimination of non-added activities to the service rendered	52%	3.48	.731
xviii.	Theory of constraints (an optimal resource utilisation technique)	63%	3.58	.684
xix.	Continuous cost reduction techniques (Kaizen costing)	61%	3.59	.842
xx.	What if analysis (analysis of most probable scenarios)	62%	3.65	.796
xxi.	Real time performance indicator dash boards (Tableau de bord)	63%	3.65	.770

xxii.	Ordering of optimal inventory (economic order quantity)	67%	3.72	.712
xxiii.	Ordering inventory as and when required (just in time system)	63%	3.67	.753

Scale: 1=Very unsuitable, 5=very suitable. (Source: Field work)

In sum, given that at least 50% of the respondents indicated that the 23 CMAPs were suitable to their businesses, one can conclude that CMAPs are in general perceived to be suitable for SMEs.

The above results are consistent with those of Pavlatos and Paggios (2015) who found that CMAPs were suitable for SMEs operating in the hotel sector. The above results however contrast those Santos’s *et al.* (2012) who found that CMAPs were unsuitable for these entities. The reason for disparity in results is that Santos’s *et al.* ’s (2012) study was conducted more than eight years ago when most SMEs were still questioning the suitability of CMAPs to their businesses.

The above results also support the contingency theory which posits that the suitability of an accounting practice to a particular entity is dependent on situational factors faced by that entity (Granlund and Lukka, 2017: 70), which include; technology, organisation size, market competition intensity and the level of qualification of accounting staff. It thus would appear that the situational factors that make CMAPs suitable for organisations already exist among the SMEs. For instance, the proliferation of technology at a low cost have made it affordable to these entities, regardless of their sizes. Likewise, these entities are increasingly facing intense competition and are having to employ higher level qualified accountants.

4.6 EXTENT OF ADOPTION OF CMAPS

Section C of the questionnaire, which comprised two questions, namely; question 10 and question 11, was meant to address the second research objective, to determine the extent to which the SMEs operating in the hotel sector of the Cape Metropole have adopted the CMAPs deemed to be suitable to the sector. In question 10, the respondents were asked to indicate, using a “Yes” or “No” response whether their business had adopted any of the 23 CMAPs that are listed in question 9. As shown in Figure 4.8, 70% of the respondents indicated that their businesses had adopted CMAPs while 30% of indicated that their businesses had not adopted CMAPs. The above results are in

tandem with those of Madaukwe (2015), who found that 81% of the SMEs she sampled in the Cape Metropole used CMAPs.

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

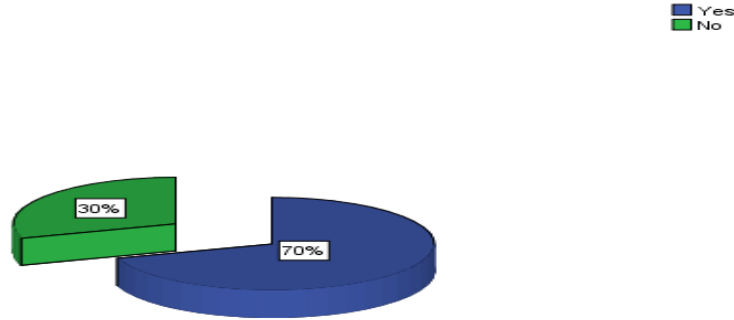


Figure 4. 8: Adoption of CMAPs

In question 11, 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 4.11, 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 4.11.

As shown in Table 4.11, 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 a 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%); just in time system (31%); ratio analysis of departmental financial statements (30%); activity based costing (30%); real time performance indicator dash boards (30%); Economic order quantity (29%); setting and pursuing set targets of costs (29%); financial and non-financial performance evaluation of each manager and the department managed (27%); and product life cycle analysis (25%).

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 4. 11: 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
xxiv.	Activity based costing (billing customers according to the activities they undertake in the hotel rather than a flat rate)	30%	3.19	1.107
xxv.	Setting and pursuing set targets of costs	29%	3.14	1.107
xxvi.	Product life cycle analysis (monitoring the cost of a service rendered from its commencement to when it is discontinued)	25%	3.04	1.069
xxvii.	Elimination of non-added activities to the service rendered	31%	3.09	1.100
xxviii.	Theory of constraints (an optimal resource utilisation technique)	33%	3.06	1.141
xxix.	Continuous cost reduction techniques (Kaizen costing)	32%	3.26	1.138
xxx.	What if analysis (analysis of most probable scenarios)	33%	3.17	1.090
xxxi.	Real time performance indicator dash boards (Tableau de bord)	30%	3.23	1.079
xxxii.	Ordering of optimal inventory (economic order quantity)	29%	3.13	1.128

xxxiii. 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).

4.7 PERCEIVED USEFULNESS OF CMAPS

Section D of the questionnaire, which only comprised question 12 was meant to address the third research question objective, namely; to assess the perceived usefulness of CMAPs adopted by SMEs. In question 12, respondents were asked to indicate how useful the CMAPs adopted are to their businesses. A five-point Likert scale was used with weightings of one for not useful, two for slightly useful, three for moderately useful, four for useful and five for very useful.

For the sake of clarity, the percentages of those who indicated that the adopted CMAPs were either useful or very useful to their businesses were added and included in the second column of Table 4.12, under the title “percentage that perceives the CMAP to be useful”. Accordingly, those that perceived the CMAPs to be moderately useful or slightly useful were reported conservatively as having not perceived the adopted CMAPs as useful. This approach is justified as it ensures that only those that indicated that the adopted CMAPs are useful are reported as such and it has also been used successfully in prior studies (Kamala & Maduekwe, 2016). The results are shown in Table 4.12.

As indicated in Table 4.12 below, the CMAP that was perceived by most respondents to be useful was budgeting (59%), followed by forecasting (50%). The remainder of the CMAPs were perceived to be useful by only a minority of respondents. These included variance analysis (47%), cost, volume and profit analysis (43%), cost plus pricing techniques (39%), ordering of optimal inventory (36%), what if analysis (34%), ratio analysis of departmental financial statements (33%), benchmarking against competitors (33%), product life cycle analysis (33%) and industry competitor analysis (32%). Other CMAPs perceived to be useful by an even lesser percentage of respondents were product life cycle analysis (33%), industry competitor analysis (32%), setting and pursuing set targets of costs (32%), real time performance indicator dash boards (32%), just in time system (32%), cost management and control techniques (30%), working capital

management techniques (30%), activity based costing (30%), Kaizen costing (30%) and theory of constraints (29%) and elimination of non-added activities to the service rendered (28%).

In sum, only two of the CMAPs was perceived to be useful by at least 50% of the SMEs, which is consistent with the preceding result that only one of the CMAPs (budgeting) was used to a great extent by at least 50% of the sampled SMEs.

The means obtained echoed the results portrayed by the percentages. The standard deviations of less than one for 20 out of 23 CMAPs indicate agreement in the responses of the respondents.

The results of the current study agree with the findings of Akmese’s (2016) study, which revealed that most of the hotel managers he sampled perceived cash budgeting to be extremely important. The current results also concur with those of Maziriri and Mapuranga (2017) who found that budgeting contributes to an improved performance of an SME.

The above results also support the contingency theory which posits that there is no universally appropriate accounting system which applies equally to all organisations in all circumstances (Otley, 2016: 46). Usefulness of particular features of an appropriate accounting system will depend upon the specific circumstances in which an organisation finds itself. In the context of this study, different CMAPs will be perceived to have different usefulness depending on the specific situations that the SMEs find themselves in.

Table 4. 12: How useful are the following CMAPs to the business

CMAPs	Percentage that perceive the CMAP to be useful	Respondents	Standards deviation
		N = 100	
	Useful	Mean	
i. Forecasting	50%	3.97	.900

ii. Budgeting	59%	4.21	.778
iii. variance analysis (analysis of deviation from budgets and standard costs)	47%	3.76	.806
iv. Cost, volume and profit analysis to determine the break-even point	43%	3.70	.729
v. Cost plus pricing techniques (using cost as the basis for determining prices)	39%	3.60	.806
vi. Capital budgeting approaches (to allocate funds available to competing investment alternatives)	37%	3.53	.896
vii. Financial and non-financial performance measurement techniques	30%	3.34	.946
viii. Industry competitor analysis	32%	3.40	.969
ix. Cost management and control techniques	30%	3.36	.948
x. Working capital management techniques	30%	3.27	.977
xi. Ratio analysis of departmental financial statements	33%	3.31	.843
xii. Benchmarking against competitors	33%	3.43	.972
xiii. Financial and non-financial performance evaluation of each manager and the department managed	28%	3.20	1.071

xxxiv.	Activity based costing (billing customers according to the activities they undertake in the hotel rather than a flat rate)	30%	3.24	.970
xxxv.	Setting and pursuing set targets of costs	32%	3.36	1.022
xxxvi.	Product life cycle analysis (monitoring the cost of a service rendered from its commencement to when it is discontinued)	33%	3.27	1.062
xxxvii.	Elimination of non-added activities to the service rendered	28%	3.23	.951
xxxviii.	Theory of constraints (an optimal resource utilisation technique)	29%	3.24	.908
xxxix.	Continuous cost reduction techniques (Kaizen costing)	30%	3.33	.959
xl.	What if analysis (analysis of most probable scenarios)	34%	3.31	.956
xli.	Real time performance indicator dash boards (Tableau de bord)	32%	3.37	.935
xlii.	Ordering of optimal inventory (economic order quantity)	36%	3.40	.923
xliii.	Ordering inventory as and when required (just in time system)	32%	3.27	1.048

Scale: 1= not useful, 5= very useful. (Source: Field work).

4.8 FACTORS THAT INHIBIT THE BUSINESS FROM ADOPTING CMAPS

Section E of the questionnaire, which comprised two questions, namely; question 13 and question 14, was meant to determine the factors, if any, that inhibit SMEs from using CMAPs. In question 13, the respondents were asked to indicate, using a “Yes” or “No” response whether there are any factors that inhibit their businesses from adopting CMAPs.

As shown in Figure 4.9, 60% of the respondents indicated “Yes”, meaning that there are factors that inhibit their businesses from adopting CMAPs, while only 40% indicated “No”.

Are there any factors that inhibit the business from adopting conventional management accounting practices listed above?

■ Yes
■ No

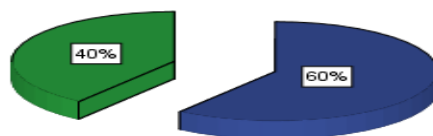


Figure 4. 9: Whether there are factors that inhibit SMEs from adopting CMAPs.

In question 14, the respondents that had indicated that there are factors that inhibit their businesses from adopting CMAPs were asked to specify the extent to which they agreed with 16 statements on the factors that inhibit their businesses from adopting CMAPs. For this purpose, a five-point Likert scale was used with weightings of one for strongly disagree, two for disagree, three for neither agree nor disagree, four for agree and five for strongly agree.

For the sake of clarity and conciseness, the percentages of those who either agreed or strongly agreed were added and included in the second column of Table 4.13 and reported as “percentage that agreed with the statement”. In addition, those who indicated, neither agree nor disagree are

reported as disagreeing with the statement as these words suggest a lack of a clear stand. This approach is justified as it ensures that only those who indicated that they strongly agree or agree with the statements are reported as such and it has been used successfully in similar prior studies (Kamala & Andile, 2017).

As indicated in Table 4.13 below, most respondents indicated a lack of skills to adopt CMAPs (59%), followed by a lack of resources required to adopt CMAPs (56%) as the factors that inhibit their businesses from adopting CMAPs. Other factors that inhibit SMEs from adopting CMAPs were mentioned by a minority of the respondents. These included the views that CMAPs cannot aid the business in reducing costs (43%), CMAPs limit the business' operations (43%) and a lack of awareness about how CMAPs can benefit the business (42%). Of the respondents, 42% indicated that the business plans to implement some of the CMAPs in the future (42%). Others however indicated that CMAPs are time consuming (40%), are based on assumptions, which if erroneous can result in wrong decisions (39%), or that their business does not need CMAPs (38%). Yet other respondents indicated that CMAPs are inflexible (38%), that CMAPs are not needed as their business relies on the owner/managers experience to make all decisions (38%), adoption of CMAPs is expensive (37%), CMAPs are not needed as their business can obtain all the information needed from other sources (34%), CMAPs are inappropriate for the type of business they are in (32%), and that the business has a shortage of staff (30%).

The means obtained also mirrored the percentages indicated. The standard deviations of less than one for 14 out of 16 statements indicate agreement in the responses of the respondents.

The above results are consistent with those of Subasinghe and Fonseka (2009) who found that among the factors that inhibit SMEs from adopting CMAPs include low levels of awareness among top management of the relevance and usefulness of management accounting, lack of innovation, learning and sharing of knowledge and skills. The above results of the current study also concur with those of Kamala and Maduekwe (2016), Kamala and Mjongwana (2018), who found that there were various factors that inhibit SMEs from implementing CMAPs. These include expensive cost of implementation, long time required for implementation, a lack of resources required to adopt CMAPs, shortage of staff, a lack of qualified personnel as well as a lack of skills to adopt CMAPs.

The above results also support the contingency theory which suggests that certain situational factors have to be present for an organisation to successfully implement CMAPs. These include technology, in the context of this study knowhow and expertise, qualification of accounting staff, in the context of this study skills and adequate staff. Based on the theory, the sampled SMEs operating in the hotel sector face obstacles when attempting to implement CMAPs as they lacked these factors. In addition, owing to their small size, adoption of CMAPs by these entities may also be perceived to be cost ineffective.

Table 4. 13: Factors that inhibit respondents’ business for adopting CMAPs

Factors that inhibit the adoption of CMAPs	Percentage that agreed with the statement	Respondents	Standard deviation
		N = 60	
	Agree	Mean	
a. A lack of skills to adopt conventional management accounting practices	59%	4.48	.537
b. A lack of resources required to adopt conventional management accounting practices	56%	4.42	.619
c. Shortage of staff	30%	3.25	1.216
d. Conventional management accounting practices are not appropriate for the type of business that we operate	32%	3.40	1.028
e. The business does not require to adopt conventional management	34%	3.45	.946

accounting practices as it can obtain all the information needed from other sources			
f. A lack of awareness about how conventional management accounting practices can benefit the business	42%	3.88	.691
g. Conventional management accounting practices are time consuming	40%	3.78	.691
h. The business does not need conventional management accounting practices	38%	3.60	.887
i. Conventional management accounting practices are based on assumptions, which if erroneous can result in wrong decisions	39%	3.60	.827
j. Conventional management accounting practices are inflexible	38%	3.60	.785
k. The adoption of conventional management accounting practices is expensive	37%	3.60	.718
l. Conventional management accounting practices cannot aid the business in reducing costs	43%	3.65	.709

m. Conventional management accounting practices limit the business' operations	35%	3.50	.701
n. The business is in the process of implementing some of the conventional management accounting practices	43%	3.60	.807
o. The business relies on the owner/managers experience to make all decisions thus does not need conventional management accounting practices	38%	3.57	.722
p. The business plans to implement some of the conventional management accounting practices in the future	42%	3.60	.827

4.9 SUMMARY AND CONCLUSIONS

The objective of this chapter was to analyse and discuss the results of study conducted to investigate the adoption of CMAPs by SMEs operating in the hotel sector of the Cape Metropole. The chapter analysed and discussed the results on the suitability of CMAPs to SMEs operating in the hotel sector, extent of adoption of CMAPs by the SMEs, perceived usefulness of CMAPs, and the factors that inhibit the SMEs from adopting CMAPs.

With regard with suitability of CMAPs to SMEs, the results revealed that CMAPs are perceived to be suitable for the sampled SMEs as most of these entities need accounting information to analyse their risks and uncertainty (71%), increasingly need to optimise on their utilisation of scarce resources (70%), and require accurate data on costs of various products (69%).

As far as the extent of adoption of CMAPs is concerned, results show that 70% of the SMEs had adopted some of the CMAPs, however budgeting (59%) was the only CMAP that was used to great extent by a majority of the sampled SMEs. Other CMAPs, were used to a great extent by a minority of the SMEs. These included variance analysis (42%) and the use of cost, volume and profit analysis to determine the break-even point (42%).

Concerning the perceived usefulness of the CMAPs adopted, the results revealed that only budgeting (59%) and forecasting (50%) were perceived to be useful by a majority of the sampled SMEs. Other CMAPs, were perceived to be useful by only a minority of the sampled SMEs, most notably variance analysis (analysis of deviation from budgets and standard costs) (47%).

Regarding the factors that inhibit SMEs from adopting CMAPs, the results revealed that most of the sampled SMEs (60%) faced these factors. Key among the factors were a lack of skills to adopt CMAPs (59%) as well as a lack of resources (56%).

The next chapter (chapter 5) provides the summary and conclusion of the study, discusses the contribution of this study, its limitations and makes suggestions for further research.

CHAPTER 5

SUMMARY AND CONCLUSIONS

5.1 INTRODUCTION

This study aimed at determining the adoption of Conventional Management Accounting Practices (CMAPs) by SMEs operating in the hotel sector of the Cape Metropole. The study was motivated by a lack of research in South Africa on the adoption of the CMAPs by SMEs in the hotel sector. To achieve the afore-mentioned aim, a questionnaire survey was conducted.

The purpose of this chapter is to summarise the major findings and draw conclusions on types of CMAPs that are suitable for SMEs operating in the hotel sector in Cape Metropole, the extent to

which the SMEs operating in the hotel sector in Cape Metropole have adopted the CMAPs deemed suitable for the sector, the perceived usefulness of CMAPs adopted by the SMEs to the decision-makers of these entities, as well as the factors that inhibit the sampled SMEs from using CMAPs.

The chapter proceeds with a re-statement of the research problem and research objectives outlined in chapter 1, in Section 5.2. This is followed by a summary and conclusion of the literature review on the adoption of CMAPs presented in chapter 2, in Section 5.3. Section 5.4 presents a summary and conclusion of the research design and methodology used in this study, presented in chapter 3. Section 5.5 provides a summary and conclusion of the analysis and discussion of results of the study, presented in chapter 4. Section 5.6 presents the contribution, significance and recommendation of this study, followed by the limitation of the study and suggestions for further research in Section 5.7.

5.2 CHAPTER 1 – RESEARCH PROBLEM, MAIN QUESTION, SUB-QUESTIONS AND OBJECTIVES

5.2.1 Problem statement

The problem investigated by this research is that SMEs operating in hotel sector are perceived to be underperforming partly due to their failure to adopt CMAPs.

5.2.2 Purpose of this study

The main purpose of this study was to determine the extent to which SMEs operating in the hotel sector of the Cape Metropole have adopted CMAPs.

5.2.3 Main research question

To fill the gap in the literature on the adoption of CMAPs, the following main research question was formulated:

To what extent have SMEs operating in the hotel sector in the Cape Metropole adopted CMAPs?

5.2.4 Research sub-questions

To address the main research question at greater depth, the following sub-questions were formulated:

- Which CMAPs are suitable for SMEs operating in the hotel sector?
- To what extent have the SMEs operating in the hotel sector of the Cape Metropole adopted CMAPs deemed suitable for these entities?
- How useful are the CMAPs adopted by SMEs to decision-makers of these entities?
- What factors, if any, inhibit the SMEs from using CMAPs?

5.2.5 Research objectives

To fill the gap evidenced by the scant research on the adoption of CMAPs, the following objectives were formulated:

- to determine the CMAPs that are suitable for SMEs operating in the hotel sector;
- to determine the extent to which the SMEs operating in the hotel sector of the Cape Metropole have adopted the CMAPs deemed suitable to the sector;
- to assess the perceived usefulness of CMAPs adopted by SMEs to the decision-makers of these entities; and
- to determine the factors that inhibit SMEs from using CMAPs?

5.3 CHAPTER 2 – SUMMARY AND CONCLUSION OF PRIOR LITERATURE ON THE ADOPTION OF CMAPS

Chapter 2 aimed at analysing, describing and summarising findings of the prior studies on the adoption of CMAPs by SMEs. The chapter then identified gaps in the literature with regard to the CMAPs that are suitable for SMEs as well as the extent to which SMEs use these practices. The chapter further identified gaps in the literature on the perceptions of the decision-makers of the SMEs regarding the usefulness of the CMAPs currently employed by these entities as well as the gaps in the literature on the factors that inhibit SMEs from using CMAPs.

The chapter began with the definition of CMAPs and briefly discussed their importance to hotels. It then defined SMEs, as well as their importance to the South African economy. The chapter then highlighted the importance of the hotel sector to the South African economy. It then reviewed prior studies on the adoption of CMAPs by SMEs operating in the hotel sector, presented the gaps identified in prior literature as well as the research questions that have remained unanswered, and discussed the contingency theory.

Based on the review of the prior literature, the following gaps were identified.

- Most of studies reviewed were conducted in other countries, thus the generalisability of their findings to the South African context is questionable.
- Some of the studies employed a limited sample, were conducted in other provinces other than the Western Province, drew samples from other sectors other than the hotel sector or sampled large hotels, therefore the applicability of their findings to the SMEs operating in the hotel sector of the Cape Metropole is questionable.
- Some of the studies are dated as they were conducted more than five years ago, thus their findings may not be valid at the moment.
- Yet others did not cover the all the objectives that were covered by the current study.
- Some of the studies revealed a high uptake of CMAPs by SMEs operating in the hotel sector, yet others refute this finding, thus creating a contradiction that needed be resolved by the current study.

Given the above gaps identified in prior literature, there was a need to conduct this study to determine the adoption of CMAPs by SMEs operating in the hotel sector in the Cape Metropole. Prior to the current study, the understanding of the adoption of CMAPs by SMEs operating in the hotel sector in South Africa was deemed to be evasive.

5.4 CHAPTER 3 – SUMMARY AND CONCLUSION OF RESEARCH DESIGN AND METHODOLOGY

The aim of Chapter 3 of this study was to describe the research methodology used to collect the data required to meet the objectives of this study. The chapter commenced by discussing and justifying the positivist paradigm that was adopted in the study, followed by a justification of the

questionnaire survey methodology that was used in this study. The chapter then described the research population and sampling technique employed in this study, as well as the design of the questionnaire.

A pilot survey conducted to ensure that the questionnaire is clear, concise and understandable was discussed, as well as the measures undertaken to ensure the reliability and validity of the research instrument. Finally, the limitations of the questionnaire survey methodology adopted and measures undertaken to overcome them was discussed, as well as the ethical considerations of this research.

Based on the elaborate discussion of the research methodology, as well the measures undertaken to ensure reliability and validity, the researcher concluded that the methodology outlined in the third chapter is appropriate for addressing the research objectives of this study.

5.5 CHAPTER 4 – SUMMARY OF ANALYSIS AND DISCUSSION OF RESULTS

The objective of this chapter was to present and discuss the results of the data collected via questionnaire survey to determine the adoption of CMAPs by SMEs operating in the hotel sector of the Cape Metropole. The chapter presented and discussed the results on the suitability of CMAPs to SMEs operating in the hotel sector, extent of adoption of CMAPs by the SMEs, perceived usefulness of CMAPs, and the factors that inhibit the SMEs from adopting CMAPs.

Regarding the suitability of CMAPs to SMEs, the results revealed that the selected CMAPs are perceived to be suitable for the sampled SMEs as most of these entities need accounting information to: analyse risks and uncertainty (71%); optimise on their utilisation of scarce resources (70%); and require accurate data on costs of various products (69%).

Concerning the extent of adoption of CMAPs, the results revealed that 70% of these entities had adopted some of the selected CMAPs deemed suitable to SMEs operating in the hotel sector. However, budgeting (59%) was the only CMAP that was used to great extent by a majority of the sampled SMEs. Other CMAPs used to a great extent, albeit by a minority of the sampled SMEs were variance analysis (42%) and use of cost, volume and profit analysis to determine the break-even point (42%).

As far as the perceived usefulness of CMAPs by decision-makers of SMEs is concerned, the results revealed that budgeting (59%) and forecasting (50%) were perceived by the sampled respondents to be the most useful CMAPs. Other CMAPs that were perceived to be useful by the sampled respondents included variance analysis (analysis of deviation from budgets and standard costs) (47%).

With respect to the factors that inhibit SMEs from adopting CMAPs, the results revealed that majority of the sampled SMEs (60%) faced these factors. The main inhibiting factors were a lack of skills to adopt CMAPs (59%) as well as, a lack of resources (56%).

5.6 RECOMMENDATIONS

Based on the findings of this study, the researcher recommends that:

- SMEs operating in the hotel sector should be made aware through regular training and workshops about the benefits of adopting CMAPs, regardless of challenges faced and factors that inhibit these entities from adopting CMAPs. It is imperative for SMEs to adopt CMAPs in order for them to analyse their risks and uncertainty, as well as to minimise inventory related wastages. Failure to adopt CMAPs in managing businesses is detrimental to their profitability. If the adoption of CMAPs makes the difference between failure and success, SMEs need to adopt these CMAPs even more aggressively.
- High adoption of CMAPs can impact tremendously on the performance and sustainability of SMEs in the short and long- run.
- The South African Government should provide incentives to encourage SMEs decision-makers to attend workshops about management accounting knowledge.
- SMEs decision-makers with no qualification in accounting should take up at least a short course to become aware and knowledgeable about CMAPs.

5.7 CONTRIBUTION AND SIGNIFICANCE OF THE STUDY

5.7.1 Contribution of the study

This study makes several contributions to CMAPs literature. Firstly, it is the first study, to investigate the adoption of CMAPs by SMEs operating in the hotel sector of the Cape Metropole. Therefore, this thesis contributes to the literature by uniquely investigating adoption of CMAPs in a critical but neglected sector of the Cape Metropole.

Secondly, this study provides, a unique insight on types of CMAPs that are suitable for SMEs, the extent to which the SMEs operating in the hotel sector of the Cape Metropole have adopted the CMAPs deemed suitable to the sector, the perceived usefulness of CMAPs adopted by SMEs and factors that inhibit SMEs from using CMAPs. Bearing in mind that most prior studies, were conducted in other countries, this study provides a unique empirical evidence in a different country's context, namely; South Africa, on the adoption of CMAPs. This study uniquely employs the contingency theory to interpret the results, which offers a better insight into the adoption of CMAPs, unlike the prior studies on the topic.

Thirdly, unlike the prior South African studies, the current study uses a questionnaire distributed by researcher in person to increase the response rate and external validity of the findings of this study and reduce non-response bias. Thus, the findings study provides valid insight on the adoption of CMAPs by SMEs operating in the hotel sector in Cape Metropole.

5.7.2 Significance of the study

The findings of this study should be of significance to the Department of Small Business Development, which offers financial and non-financial support services meant to create an enabling environment in which SMEs should survive and thrive. The findings provide invaluable insights on the types of CMAPs that are suitable for SMEs operating in the hotel sector. The findings also provide insights on the extent to which the SMEs have adopted CMAPs deemed suitable to the sector. In addition, the findings provide insights on the perceived usefulness of CMAPs as well as the factors that inhibit the adoption of CMAPs by SMEs. These insights could

be used to inform future endeavours of the Department when establishing interventions meant to improve the survival rate of the SMEs.

The findings of this study are particularly important to the decision-makers of SMEs operating in the hotel sector. The decision-makers will be made aware of CMAPs that are suitable for SMEs in ensuring effective management. They will also be made aware of the various types of CMAPs available, their usefulness as well the potential factors that could inhibit these entities from using these practices. This information should enable decision-makers to manage their SMEs more effectively by adopting the best practices to enhance the survival of these entities.

The findings of this study are also of significance to academics who may replicate this survey in other sectors, areas and even among larger companies in order to confirm the validity of the findings of this study. They could also adopt the research methodology and questionnaire survey employed in this study to explore the adoption of CMAPs not included in this study. The current study also provides impetus for other South African and even African academics to undertake a similar study in other locations, which can contribute to a better understanding of the adoption of CMAPs by SMEs and possibly lead to better interventions to improve the survival rates of these entities. Finally, training institutions could incorporate the findings of this study in their curriculum by offering short courses on CMAPs to improve the adoption of the practices among SMEs.

5.8 LIMITATIONS OF THE STUDY

Although the findings of this study provide valuable insights, the study has its own limitations that are highlighted below.

- The findings of this study only reflect the views of decision-makers in the hotel sector in the Cape Metropole, which may not be generalisable to other regions in South Africa.
- Only the owners, managers and accountants of SMEs in the hotel sector operating in Cape Metropole were invited to participate in the survey. These may not be the only decision-makers in this sector who are knowledgeable regarding the adoption of CMAPs.
- The study made use of self-administered, closed-ended questionnaire survey which has well-documented pitfalls such as non-response bias, unintended respondents competing the questionnaire, failure to respond to some particular questions as well as low-response rate.

However various precautions as discussed in chapter 3 were undertaken to mitigate the effects of these limitations.

Despite the above-mentioned limitations of this study, they do not outweigh the contribution made by this study to an area in which little prior research has been conducted in the Cape Metropole.

5.9 SUGGESTIONS FOR FURTHER STUDIES

The above-mentioned limitations of this study present potential areas for future research which are summarised below.

- Only hotel owners, managers and accountants were regarded as decision-makers of SMEs in this study. There may be others who should have been included. Further research could include other individuals who play part in the decision-making processes of SMEs.
- This study only investigated the adoption of certain types of CMAPs by SMEs operating in the Cape Metropole, future research could investigate the adoption of other types of CMAPs by SMEs operating in other Metropolises or even the adoption of CMAPs by large hotels.
- The findings of this study were based on a sample of 100 SMEs. Future studies could use a larger sample size to increase the generalisability of the findings.
- This study used a quantitative methodology. A qualitative study involving an in-depth case study could be done to provide a deeper understanding of the factors that inhibit SMEs from adopting CMAPs. Future studies could adopt qualitative methods that use open-ended questions to provide an in-depth analysis on the topic of this study.

Bibliography

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.

Akmese. H. 2016. Main management accounting tools employed and key management accounting issues in accommodation industry. *The 2016 WEI International Academic Conference Proceedings*, 105-111.

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.

Armitage, H.M. and Webb, A., 2013. The Use of Management Accounting Techniques by Canadian Small and Medium Sized Enterprises. *A Field Study. In CAAA Annual Conference*, 15(1):31-69.

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.

Bayarsaikhan, T., Purev, N.E., Purevdagva, U. and Wong, W.K., 2018. Determinants of International Tourism Demand for Mongolia. *Gravity Model Approach*. <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3211717> Accessed 30 September 2018.

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.

- Cadez, S. and Guilding, C., 2008. An exploratory investigation of an integrated contingency model of strategic management accounting. *Accounting, organizations and society*, 33(7-8):836-863.
- 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.
- CIMA, 2015. Effective management accounting: Improving decisions and building successful organisations, December, 2015. <<https://www.cimaglobal.com/Documents/Employer%20docs/web%20pages%202016/global-management-accounting-principles.pdf>> Accessed 31 July 2018.
- Donkor, J., 2015. Working Capital Management of SMEs: Ghana's Version of the Story. *British Journal of Economics, Management & Trade*, 10(3):1-12.
- Downie, N., 1997. The use of accounting information in hotel marketing decisions. *International Journal of Hospitality Management*, 16(3):305-312.
- 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.
- Etikan, I., Musa, S.A. and Alkassim, R.S., 2016. Comparison of convenience sampling and purposive sampling. *American Journal of Theoretical and Applied Statistics*, 5(1):1-4.
- Fowzai, R., 2011. Use of responsibility accounting and measure the satisfaction levels of service organizations in Bangladesh. *International Review of Business Research Papers*, 7(5):53-67.
- Granlund, M. and Lukka, K., 2017. Investigating highly established research paradigms: Reviving contextuality in contingency theory based management accounting research. *Critical Perspectives on Accounting*, 45:63-80.
- Henri, J.F., 2004. Performance measurement and organizational effectiveness: *Bridging the gap*. *Managerial Finance*, 30(6):93-123.
- Hoisington. A. 2017. Focus on these areas to control costs at your hotel. <<https://www.hotelmanagement.net/operate/how-to-control-costs-at-your-hotel>> Accessed 3 March 2018.

Huisamen, A. and Weyers, M., 2014. Do social workers really make a difference? Measuring client satisfaction in an occupational setting. *Social Work*, 50(1)1-18.

IFAC, 1998. International Management Accounting Practices statement: Management accounting concepts. New York, 99. <<https://www.ifac.org/>> Accessed 15 June 2018.

IMA (2008), "Institute of management accountants (IMA) draft statements on management accounting: definition of management accounting", Strategic Finance, Institute of Management Accountants. <<https://sfmagazine.com/wp-content/uploads/sfarchive/2008/08/Draft-Statement-on-Management-Accounting-Definition-of-Management-Accounting-and-Management-Accountants.pdf>> Accessed 19 June 2018.

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.

Jordan Human Development Report; Jordan Small Businesses and Human Development Amman. <https://www.undp.org/content/dam/jordan/docs/Publications/NDHR/2011/NHDR_2011_JO_summary.pdf> Accessed 10 June 2018.

Karim, A.J., 2011. The significance of management information systems for enhancing strategic and tactical planning. *JISTEM-Journal of Information Systems and Technology Management*, 8(2):459-470.

Kleynhans, E.P.J., 2006. The role of human capital in the competitive platform of South African industries. *SA Journal of Human Resource Management*, 4(3):55-63.

Lee, P.T., GENERAL PROFILE. <<http://www.ilocis.org/documents/chpt98e.htm>> Accessed 15 March 2018.

Leedy, P.D., & Ormrod, J.E. 2005 Practical research: planning and design. 8th ed. Upper Saddle River, New Jersey: Pearson Prentice Hall, 319.

- 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.
- Lekhanya, L.M., 2016. Business characteristics of small and medium enterprises in rural areas: a case study on southern region of KwaZulu-Natal province of South Africa. *Problems and Perspectives in Management*, 14(3):108.
- Maduekwe, C.C. and Kamala, P., 2016. The use of budgets by small and medium enterprises in Cape Metropolis, South Africa. *Problems and Perspectives in Management*, 14(1):183-191.
- 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.
- Makumbirofa, S. and Saayman, A., 2018. Forecasting demand for qualified labour in the South African hotel industry. *Journal of Economic and Financial Sciences*, 11(1):1-11.
- Masarira, S. and Msweli, P., 2013. The role of SMEs in national economies: the case of South Africa. *Economic and Social Development: Book of Proceedings*, 1484-1494.
- 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> Accessed 23 January 2017.
- Maziriri, E.T. and Mapuranga, M., 2017. The impact of management accounting practices (maps) on the business performance of small and medium enterprises within the Gauteng Province of South Africa. *The Journal of Accounting and Management*, 7(2):12-25.
- Mbasera, M., 2015. A green management framework for hotels: A case of two African countries (Doctoral dissertation). Potchefstroom. North-West University.
- Mbumbo, E.P.T and Benedict, O.H. 2015. Effectiveness of management accounting skills: Perception of decision – makers of small, Micro and Medium Tourism Enterprises (SMMTEs) in Cape Town, South Africa, 461-491.

Mbumbo, E.P.T., 2015. Management accounting skills of decision makers of small, medium and micro tourism enterprises in Western Cape, South Africa (Doctoral dissertation). Cape Town. Cape Peninsula University of Technology.

Mia, L. and Patiar, A., 2001. The use of management accounting systems in hotels: an exploratory study. *International Journal of Hospitality Management*, 20(2):111-128.

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.

Mjongwana, A., 2018. The use of non-financial performance measures by small and medium enterprises operating in the hotel industry, in the Cape Metropole (Doctoral dissertation). Cape Town. Cape Peninsula University of Technology.

Muriithi, S., 2017. African small and medium enterprises (SMEs) contributions, challenges and solutions. *European Journal of Research and Reflection in Management Sciences*, 5(7):36-48.

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.

Otley, D., 2016. The contingency theory of management accounting and control: 1980–2014. *Management accounting research*, 31:45-62.

Pavlatos, O. and Paggios, I., 2008. Management accounting practices in the Greek hospitality industry. *Managerial Auditing Journal*, 24(1):81-98.

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.

Petersen, N., 2007. Customary Law without Custom-Rules, Principles, and the Role of State Practice in International Norm Creation. *Am. U. Int'l L. Rev.*, 23:275.

Policy, U., 2008. Guide to cost-benefit analysis of investment projects. *The EU*. <http://www.rpo.malopolska.pl/download/program-regionalny/o-programie/zapoznaj-sie-z-prawem-i-dokumentami/wytyczne-w-zakresie-zagadnien-zwiazanych-z-przygotowaniem-projektow-inwestycyjnych--w-tym-projektow-generujacych-dochod-i-projektow-hybrydowych/2017-05-18/cba_guide_wersja_od_18032015.pdf> Accessed 20 May 2018.

Pooe, M. (2007). The development of a strategic performance measurement tool for SMEs in the construction industry. Unpublished MBA Dissertation. Port Elizabeth. Nelson Mandela Metropolitan University.

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

PWC (Price Water Coopers), 2016. Further growth expected in Africa's hospitality sector in the next five years, according to PwC report. <<http://www.pwc.co.za/en/press-room/hoteltourism.html>> Accessed 10 August 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.

Qi, Y., 2010. The Impact of the Budgeting Process on Performance in Small and Medium-sized Firms in China. <<https://research.utwente.nl/en/publications/the-impact-of-the-budgeting-process-on-performance-in-small-and-m>> Accessed 15 April 2018.

Ramlee, S. and Berma, B., 2013. Financing gap in Malaysian small-medium enterprises: A supply-side perspective. *South African Journal of Economic and Management Sciences*, 16(5):115-126.

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.

Smulders, S.A., 2009. *Taxation compliance burden for small business in South Africa* (Doctoral dissertation). Pretoria. University of Pretoria.

Statistics South Africa, 2014. Tourism: employment, economy and foreign income. <<http://www.statssa.gov.za/?p=6166>> 14 August 2018.

Steenekamp, A.G., 2013. *An assessment of the impact of entrepreneurship training on the youth in South Africa* (Doctoral dissertation). North-West. North-West University.

Subasinghe, J. and Fonseka, A.T., 2009. Factors affecting the low adoption of management accounting practices in Sri Lankan business organizations. *Sri Lankan Journal of Management*, 14(2):95-114.

Sunarni, C.W., 2015. Management Accounting Practices at Hospitality Business in Yogyakarta, Indonesia. *Review of Integrative Business and Economics Research*, 4(1):380-396.

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.

Taiminen, H.M. and Karjaluoto, H., 2015. The usage of digital marketing channels in SMEs. *Journal of Small Business and Enterprise Development*, 22(4):633-651.

Talabi, J., 2015. The role of marketing in hotel industry: Six successful hotel units in Abuja and Jakobstad. <<http://urn.fi/URN:NBN:fi:amk-2015121821429>> Accessed 18 July 2018.

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.

APPENDICES

Appendix A: PERMISSION LETTER



Cape Peninsula University of Technology

Faculty of Business and Management Sciences

Letter of Permission for the use of Data

Dear Olwethu Ntshonga

RE: AUTHORIZATON FOR RESEARCH

..... is happy to grant you permission to collect data for your research project entitled **Adoption of Conventional Management Accounting Practices by Small and Medium Enterprises Operating in the hotel sector of the Cape Metropole**. I grant the permission with the understanding that the information will be used just for the purpose of the research and the outcome may be published in the public domain under the supervision of the supervisor, whilst keeping the name of the hotel confidential.

Signed off by.....

Signature.....

Date.....

Appendix B: QUESTIONNAIRE

SECTION A – RESPONDENT AND BUSINESS PROFILE (Please mark “X” in the appropriate box)	
1. What is your position in the business?	
a. Owner	1
b. Manager	2
c. Owner and Manager	3
d. Accountant	4
2. How long have you been in the above position?	
a. Less than 1 year	1
b. 1-5 years	2
c. 6-10 years	3
d. Above 10 years	4
3. How long has the business been in existence?	
a. Less than 1 year	1
b. 1-5 years	2
c. 6-10 years	3
d. Above 10 years	4
4. What is your highest level of education?	
a. Matric	1

b. Short course	2
c. Diploma	3
d. Bachelor/Degree	4
e. Masters	5
f. Doctorate	6
g. Other	7
5. Was the above qualification accounting related?	
a. Yes	1
b. No	2
6. What is the number of employees in your business?	
a. 1-5	1
b. 6-10	2
c. 11-20	3
d. 21-50	4
e. 51-100	5
f. Above 100	6
7. How many rooms does the hotel have?	
a. Less than 100	1
b. 100-300	2
c. More than 300	3

SECTION B – SUITABILITY OF CONVENTIONAL MANAGEMENT ACCOUNTING PRACTICES TO SMES OPERATING IN THE HOTEL SECTOR (Please mark “X” in the appropriate box)

Please use the following scale to answer question 8

SD= Strongly Disagree, D = Disagree, N= Neither agree nor disagree, A= Agree, SA= Strongly Agree

8. To what extent do you agree with the following statements meant to assess the suitability of conventional management accounting practices to small and medium enterprises operating in the hotel sector in Cape Metropole?

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
i. The business needs accurate data on costs of various products	SD	D	N	A	SA
ii. The costs of the various services offered by the business have increased dramatically	SD	D	N	A	SA
iii. The costs of our products vary significantly depending on the season of the business	SD	D	N	A	SA
iv. The business needs projected numbers to plan for its revenues and costs	SD	D	N	A	SA

v.	Costs of providing services are increasingly getting out of control	SD	D	N	A	SA
vi.	The business is divided into various cost centers that are increasingly difficult to track	SD	D	N	A	SA
vii.	Managers are increasingly interested in the profitability of each section of the business	SD	D	N	A	SA
viii.	Managers are increasingly interested in the profitability of each service rendered	SD	D	N	A	SA
ix.	The profitability of some of the business' services is questionable given the complexity of the processes required to manufacture them yet they appear to be lowly priced	SD	D	N	A	SA
x.	Managers are increasingly interested in the profitability of each customer	SD	D	N	A	SA
xi.	The managers needs accurate accounting data for benchmarking against competitors	SD	D	N	A	SA
xii.	The managers are increasingly using both financial and non-financial	SD	D	N	A	SA

	information when making decisions					
xiii.	The management is increasingly interested in the relationship between cost, volume and profitability of the business' products	SD	D	N	A	SA
xiv.	Investment decisions are only made if justified by accounting data	SD	D	N	A	SA
xv.	The business need long range forecasts for long-run planning	SD	D	N	A	SA
xvi.	The accounting information that the management is using meets its needs	SD	D	N	A	SA
xvii.	Determination of the break-even point is important for the management	SD	D	N	A	SA
xviii.	The business prepares budgets that are flexible to accommodate sudden unexpected changes	SD	D	N	A	SA
xix.	The business needs accounting information to minimise inventory wastages	SD	D	N	A	SA
xx.	The business increasingly needs to optimise on its utilisation of scarce resources	SD	D	N	A	SA
xxi.	The business needs accounting information to	SD	D	N	A	SA

analyse its risks and uncertainty					
xxii. The management is increasingly relying on accurate and timely accounting and statistical information to make day-to-day decisions	SD	D	N	A	SA
xxiii. The business has a high volatility in demand and a fixed costs structure	SD	D	N	A	SA
xxiv. The business has Excess or shortage of perishable inventory	SD	D	N	A	SA
xxv. The business is increasingly experiencing intense competition	SD	D	N	A	SA
xxvi. The business offers variety of services due to diverse needs of its clients	SD	D	N	A	SA

Please use the following scale to answer question 9

VU= Very Unsuitable, U= Unsuitable, N= Neither suitable nor unsuitable, S= Suitable, VS= Very Suitable

9. How suitable are the following management accounting practices to the business?

	Very Unsuitable	Unsuitable	Neither suitable nor unsuitable	Suitable	Very Suitable
i. Forecasting	VU	U	N	S	VS
ii. Budgeting	VU	U	N	S	VS
iii. Variance analysis (analysis of deviation from budgets and standard costs)	VU	U	N	S	VS
iv. Cost, volume and profit analysis to determine the break-even point	VU	U	N	S	VS
v. Cost plus pricing techniques (using cost as the basis for determining prices)	VU	U	N	S	VS
vi. Capital budgeting approaches (to allocate funds available to competing investment alternatives)	VU	U	N	S	VS
vii. Financial and non-financial performance measurement techniques	VU	U	N	S	VS
viii. Industry competitor analysis	VU	U	N	S	VS

ix.	Cost management and control techniques	VU	U	N	S	VS
x.	Working capital management techniques	VU	U	N	S	VS
xi.	Ratio analysis of departmental financial statements	VU	U	N	S	VS
xii.	Benchmarking against competitors	VU	U	N	S	VS
xiii.	Financial and non-financial performance evaluation of each manager and the department managed	VU	U	N	S	VS
xiv.	Activity based costing (billing customers according to the activities they undertake in the hotel rather than a flat rate)	VU	U	N	S	VS
xv.	Setting and pursuing set targets of costs	VU	U	N	S	VS
xvi.	Product life cycle analysis (monitoring the cost of a service rendered from its commencement to when it is discontinued)	VU	U	N	S	VS
xvii.	Elimination of non-added activities to the service rendered	VU	U	N	S	VS
xviii.	Theory of constraints (an optimal resource utilisation technique)	VU	U	N	S	VS

xix.	Continuous cost reduction techniques (Kaizen costing)	VU	U	N	S	VS
xx.	What if analysis (analysis of most probable scenarios)	VU	U	N	S	VS
xxi.	Real time performance indicator dash boards (Tableau de bord)	VU	U	N	S	VS
xxii.	Ordering of optimal inventory (economic order quantity)	VU	U	N	S	VS
xxiii.	Ordering inventory as and when required (just in time system)	VU	U	N	S	VS

SECTION C– EXTENT OF ADOPTION OF CONVENTIONAL MANAGEMENT ACCOUNTING PRACTICES (Please mark “X” in the appropriate box)

10. Has the business adopted any of management accounting practices listed in question 9?	
a. Yes	1
b. No	2
If your answer is “yes” to question 10, proceed to question 11, if your answer is no proceed to section E	
Please use the following scale to answer question 11	
N= Never, SE= Some extent, M= Moderate extent, G= Great extent, VG= Very Great extent	

11. To what extent does the business use following management accounting practices?					
	Not at all	Some extent	Moderate extent	Great extent	Very Great extent
i. Forecasting	N	SE	M	GE	VGE
ii. Budgeting	N	SE	M	GE	VGE
iii. Variance analysis (analysis of deviation from budgets and standard costs)	N	SE	M	GE	VGE
iv. Cost, volume and profit analysis to determine the break-even point	N	SE	M	GE	VGE
v. Cost plus pricing techniques (using cost as the basis for determining prices)	N	SE	M	GE	VGE
vi. Capital budgeting approaches (to allocate funds available to competing investment alternatives)	N	SE	M	GE	VGE
vii. Financial and non-financial performance measurement techniques	N	SE	M	GE	VGE
viii. Industry competitor analysis	N	SE	M	GE	VGE
ix. Cost management and control techniques	N	SE	M	GE	VGE

x.	Working capital management techniques	N	SE	M	GE	VGE
xi.	Ratio analysis of departmental financial statements	N	SE	M	GE	VGE
xii.	Benchmarking against competitors	N	SE	M	GE	VGE
xiii.	Financial and non-financial performance evaluation of each manager and the department managed	N	SE	M	GE	VGE
xiv.	Activity based costing (billing customers according to the activities they undertake in the hotel rather than a flat rate)	N	SE	M	GE	VGE
xv.	Setting and pursuing set targets of costs	N	SE	M	GE	VGE
xvi.	Product life cycle analysis (monitoring the cost of a service rendered from its commencement to when it is discontinued)	N	SE	M	GE	VGE
xvii.	Elimination of non-added activities to the service rendered	N	SE	M	GE	VGE
xviii.	Theory of constraints (an optimal resource utilisation technique)	N	SE	M	GE	VGE
xix.	Continuous cost reduction techniques (Kaizen costing)	N	SE	M	GE	VGE

xx.	What if analysis (analysis of most probable scenarios)	N	SE	M	GE	VGE
xxi.	Real time performance indicator dash boards (Tableau de bord)	N	SE	M	GE	VGE
xxii.	Ordering of optimal inventory (economic order quantity)	N	SE	M	GE	VGE
xxiii.	Ordering inventory as and when required (just in time system)	N	SE	M	GE	VGE

SECTION D – PERCIEVED USEFULNESS OF CONVENTIONAL MANAGEMENT ACCOUNTING PRACTICES (Please mark “X” in the appropriate box)

<p>Please use the following scale to answer question 12</p> <p>N= Not Useful, SU= Slightly Useful, MU= Moderately Useful, U= Useful, VU= Very Useful</p> <p>12. How useful are the following conventional management accounting tools to the business?</p>						
		Not Useful	Slightly Useful	Moderately Useful	Useful	Very Useful
i.	Forecasting	N	SU	MU	U	VU
ii.	Budgeting	N	SE	M	GE	VGE

iii.	Variance analysis (analysis of deviation from budgets and standard costs)	N	SE	M	GE	VGE
iv.	Cost, volume and profit analysis to determine the break-even point	N	SE	M	GE	VGE
v.	Cost plus pricing techniques (using cost as the basis for determining prices)	N	SE	M	GE	VGE
vi.	Capital budgeting approaches (to allocate funds available to competing investment alternatives)	N	SE	M	GE	VGE
vii.	Financial and non-financial performance measurement techniques	N	SE	M	GE	VGE
viii.	Industry competitor analysis	N	SE	M	GE	VGE
ix.	Cost management and control techniques	N	SE	M	GE	VGE
x.	Working capital management techniques	N	SE	M	GE	VGE
xi.	Ratio analysis of departmental financial statements	N	SE	M	GE	VGE
xii.	Benchmarking against competitors	N	SE	M	GE	VGE
xiii.	Financial and non-financial performance evaluation of each manager and the department managed	N	SE	M	GE	VGE

xiv.	Activity based costing (billing customers according to the activities they undertake in the hotel rather than a flat rate)	N	SE	M	GE	VGE
xv.	Setting and pursuing set targets of costs	N	SE	M	GE	VGE
xvi.	Product life cycle analysis (monitoring the cost of a service rendered from its commencement to when it is discontinued)	N	SE	M	GE	VGE
xvii.	Elimination of non-added activities to the service rendered	N	SE	M	GE	VGE
xviii.	Theory of constraints (An optimal resource utilisation technique)	N	SE	M	GE	VGE
xix.	Continuous cost reduction techniques (Kaizen costing)	N	SE	M	GE	VGE
xx.	What if analysis (analysis of most probable scenarios)	N	SE	M	GE	VGE
xxi.	Real time performance indicator dash boards (Tableau de bord)	N	SE	M	GE	VGE
xxii.	Ordering of optimal inventory (economic order quantity)	N	SE	M	GE	VGE
xxiii.	Ordering inventory as and when required (just in time system)	N	SE	M	GE	VGE

SECTION E – FACTORS THAT INHIBIT THE BUSINESS FROM ADOPTING CONVENTIONAL MANAGEMENT ACCOUNTING PRACTICES (Please mark “X” in the appropriate box)

13. Are there any factors that inhibit the business from adopting conventional management accounting practices listed above?

(a) Yes	1
(b) No	2

If yes, proceed to question 14. If no, please return the questionnaire. Thank you for participating in this survey.

Please use the following scale to answer question 14

SD= Strongly Disagree, D = Disagree, N= Neither agree nor disagree, A= Agree, SA= Strongly Agree

14. To what extent do you agree with the following statements regarding the factors that inhibit the business from adopting conventional management accounting practices listed above?

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
a. A lack of skills to adopt conventional management accounting practices	SD	D	N	A	SA
b. A lack of resources required to adopt conventional management accounting practices	SD	D	N	A	SA
c. Shortage of staff	SD	D	N	A	SA
d. Conventional management accounting practices are not appropriate for the type of business that we operate	SD	D	N	A	SA
e. The business does not require to adopt conventional management accounting practices as it can obtain all the information needed from other sources	SD	D	N	A	SA
f. A lack of awareness about how conventional management accounting practices can benefit the business	SD	D	N	A	SA

g. Conventional management accounting practices are time consuming	SD	D	N	A	SA
h. The business does not need conventional management accounting practices	SD	D	N	A	SA
i. Conventional management accounting practices are based on assumptions, which if erroneous can result in wrong decisions	SD	D	N	A	SA
j. Conventional management accounting practices are inflexible	SD	D	N	A	SA
k. The adoption of conventional management accounting practices is expensive	SD	D	N	A	SA
l. Conventional management accounting practices cannot aid the business in reducing costs	SD	D	N	A	SA
m. Conventional management accounting practices limit the business' operations	SD	D	N	A	SA
n. The business is in the process of implementing some of the conventional management accounting practices	SD	D	N	A	SA
o. The business relies on the owner/managers experience to make all decisions thus	SD	D	N	A	SA

does not need conventional management accounting practices					
p. The business plans to implement some of the conventional management accounting practices in the future	SD	D	N	A	SA

Thank you for your participation. If you would like feedback on the findings of this study, please E-mail Mr Olwethu Ntshonga using the following E-mail address: NTSHONGAO@cput.ac.za