

**A STUDY ON THE ROLE OF ACCOUNTING INFORMATION IN
BUSINESS STRATEGIC PLANNING OF MALAYSIAN HOTEL
INDUSTRY**

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ABSTRACT

This research looked into the role of accounting information in assisting the formulation of strategic business planning. In particular this research tries to understand how the Malaysian Hotel Industry utilizes the accounting information when formulating its business strategy. The issue of surviving in the new and competitive business environment was the main force that has increased the need for strategic planning. The Malaysian economic downturn has been the survival test for all business organizations. Those who plan their business strategy properly managed to survive during the crisis. The crisis also portrays that many hotels face problems in maintaining their operation. Thus, this research was carried out to look into the role of accounting information in business strategic planning and how this affects the company's financial performance.

Using selected accounting and non-accounting information as the variables, respondents were asked to identify one of the three business strategies being adopted by their hotel. Once the strategic type was isolated, the current study identified the accounting information system used by the hotels when formulating their strategy. The questionnaire survey method was adopted in the process of gathering data. Performance indicators such as return on capital (ROC), return on asset (ROA) and growth of sales were used in this research. This research also looked into the potential relationship between accounting information, strategy adopted and financial performance.

The result of the research shows that accounting information does have its role in business strategic planning. It was found that profits planning through profit center and cost control via cost variance analysis are the main accounting information used for strategic planning purposes. The competitive analysis and environmental analysis are among the non-financial information that is applied in business strategic planning process. Qualitative information especially the quality of service is very important in hotels' strategic planning. Overall, no significant relationships were found between accounting information used, strategy adopted and performance of the hotels. Only two

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CHAPTER ONE

INTRODUCTION

1.0 INTRODUCTION

Accounting has been in practice for many centuries. From the early time, people have kept records of their assets and liabilities even though the purpose of keeping the records differ from one person to another. The early form of accounting records pay much attention at disclosing any losses that might be incurred by one organization or person. This form of recording what came in and what went out of the organization is called as stewardship accounting. Accounting traditionally belongs within its own department or organization. The role of accounting is now getting broader and important in business due to the information provided by accounting in business for decision-making purposes.

As company grows, management could no longer communicate directly with its employees. The need to have a systematic information system is definitely vital. Otley (1987), stated that:

Information has been described as the cement that binds an organization together. Without the regular flow of relevant information for co-ordination and control, the organization would fall apart. Much information used by managers is obtained informally, sometimes accidentally; some is speculative and qualitative in nature. But the hard core of management information is provided by formal system that are consciously designed to provide managers with the vital information they need. The major part of this information is expressed in financial terms and is channeled through the management information systems.

Today the role of management accountant is seen by many as more than just a financial preparer and provider. For example, Brecht and Martin (1995) and Akers and Porter (1995) indicated that the role of management accountant is more than only to keep the accounting records but also to participate in business strategic