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A Preliminary Study on Comprehensive Budget Management in Hotels

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ABSTRACT

Against the backdrop of increasingly fierce competition in the hotel industry and the growing diversification of consumer demands, comprehensive budget management, as a core tool for hotel management, plays a crucial role in optimizing resource allocation, enhancing operational efficiency, and strengthening corporate competitiveness. This paper takes the comprehensive budget management of hotels as the research object, expounds on the research background and significance, sorts out relevant basic theories, analyzes the relationship between corporate strategy and budget management, and proposes implementation strategies covering organizational systems, goal-setting, and preparation methods. It aims to provide a reference for hotels to improve their comprehensive budget management systems.

KEYWORDS

Hotel industry; Comprehensive budget management; Corporate strategy; Budget execution; Performance evaluation

1 Introduction

1.1 Research background

With the increasingly fierce competition in the hotel industry and the diversification of consumer demands, hotel managers are faced with multiple challenges such as cost control, improvement of profitability, and optimization of management standards. Although comprehensive budget management has become a key means of hotel management, many hotels encounter problems in practice. The budget standards are outdated and not updated in line with market dynamics, leading to a disconnect from actual operations. Financial personnel lack in-depth understanding of business processes, and budget preparation relies excessively on historical data, ignoring the linkage impact of business indicators such as room occupancy rate and restaurant table turnover rate. The implementation effort is insufficient, with departments shifting responsibilities to each other, and some budget provisions becoming a mere formality. There is an imbalance between demand and budget, for example, the shortage of service personnel during peak seasons and the waste of labor costs during off-seasons, as well as excessive investment in marketing expenses with low customer conversion rates. All these issues affect the effectiveness of comprehensive budget management.

1.2 Research significance at the practical level

In-depth research on comprehensive budget management in hotels can provide hotels with scientific budget methods and tools, helping them control costs, improve operational efficiency, and thereby enhance overall competitiveness. It can also promote hotels to establish sound management systems and processes, facilitate coordination and cooperation among departments, improve management standards, provide criteria for assessment, and ultimately help hotels optimize services and products, increase customer satisfaction, and lay a foundation for long-term development. At the theoretical level, existing studies mostly focus on comprehensive budget management in general enterprises, while there are relatively few specialized studies targeting the particularities of the hotel industry. This paper can enrich the theoretical system of budget management in the service industry and provide a reference for subsequent research.

2 Relevant basic theories

2.1 Concept and characteristics of comprehensive budget management

Budget management is a management method by which enterprises integrate resources to achieve business goals through systematic and strategic budget preparation, execution, control, and assessment. It is a tool for enterprises to reasonably allocate and plan resources within a certain period. Its core is to fully incorporate operating, investment, and financing activities into the budget, forming a comprehensive management system covering multiple links, and it has planning, coordination, control, and incentive functions. In terms of planning, it provides goals and guidance for operations at various stages. In terms of coordination, it coordinates the resource needs of various departments to avoid resource idleness or repeated investment. In terms of control, it ensures compliance in operations through indicators and monitoring. In terms of incentives, it links the completion of the budget with performance to stimulate the enthusiasm of employees. When formulating a budget, factors such as the market environment, customer needs, and internal resources need to be considered to ensure that the budget is reasonable and feasible, and a monitoring and assessment mechanism should be established to ensure the implementation effect.

2.2 Particularities of the hotel industry

As an important part of the service industry, the hotel industry has significant characteristics, which determine that its comprehensive budget management needs to be different from that of other industries. Firstly, the operation mode is highly service-oriented, and the core product is intangible services. Intangible costs such as labor, training, and brand maintenance account for a high proportion and are difficult to reduce through standardization. Therefore, the budget needs to balance service quality and costs. Secondly, the revenue structure is complex and volatile, with sources including rooms, catering, conferences, SPA, banquets, etc. Each segment is affected by different factors. For example, room revenue is affected by seasons, holidays, and large-scale events, while catering revenue is affected by local consumption and banquet demand. Thus, a refined budget by department and time period is required. Thirdly, the industry competition is fierce, with intense competition for brands and market share. Therefore, it is necessary to reasonably allocate resources for brand promotion and member development in the budget. Fourthly, it is a labor-intensive industry, so human resource management is a key focus of the budget. Labor costs need to be planned according to business fluctuations to avoid an imbalance between the supply and demand of personnel.

2.3 Necessity of comprehensive budget management

In the competitive and uncertain environment of the hotel industry, the implementation of comprehensive budget management is very necessary. In terms of cost control and profitability improvement, it can accurately identify the composition of costs, optimize expenditures, reduce waste, and enhance profitability. In terms of resource allocation, it can reasonably allocate and monitor financial, human, and material resources to ensure that resources are tilted towards high-yield businesses and improve the efficiency of resource utilization. In terms of internal management, it promotes collaboration among departments, breaks down information barriers, and improves management and work efficiency. In terms of risk prevention and control, it provides data support for formulating business strategies, identifies risks such as market fluctuations and cost increases, and avoids risks through budget reserves and strategy adjustments to ensure the stable operation of hotels. It is of great significance for enhancing competitiveness and achieving sustainable development.

3 Relationship between corporate strategy and budget management

3.1 Impact of corporate strategy on the budget

Corporate strategy is a plan and guideline that guides the long-term development of an enterprise and has a profound impact on budget management. Firstly, the strategy clarifies the direction and focus of budget management. Different strategic focuses lead to different priorities in budget preparation. For example, if the strategic focus is to expand market share, the budget will focus on investment in sales and marketing promotion. If the focus is on improving profitability, the budget will focus on cost control and profit growth. Secondly, the strategy affects the flexibility of the budget. In the context of dynamic market changes, the strategy needs to be adjusted according to internal and external environments, and the budget also needs to be flexible. Uncertainties should be considered during preparation to reserve space for strategic changes. Finally, the strategy promotes the improvement of the budget system. The implementation of the strategy requires a supporting budget system. As the strategy is upgraded, the budget system needs to be optimized, such as expanding from a single-store budget to a group budget and from a single financial indicator to multi-dimensional indicators.

3.2 Analysis methods of strategic budget management

Strategic budget management is a management method that integrates corporate strategy and budget preparation, helping to improve the efficiency of resource utilization and promote the achievement of goals. The Balanced Scorecard is a commonly used tool, which decomposes the strategy from the financial, customer, internal process, and learning and growth dimensions, and transforms strategic goals into budget goals and actions. For example, in the financial dimension, indicators such as revenue growth rate and gross profit margin are set, and in the customer dimension, indicators such as satisfaction and repurchase rate are set, helping hotels align their budgets with long-term goals. Activity-Based Costing allocates costs to operational activities, clarifies cost drivers, provides accurate cost data for the budget, and is conducive to hotels' reasonable allocation of resources and improvement of budget accuracy. The rolling budget allows adjustments to budget goals according to the market and strategy during implementation, enhancing the flexibility and adaptability of the budget, which is in line with the needs of business fluctuations in hotels. As a visual tool, the strategy map helps hotels clarify strategic goals, identify the focus of budget management, and provide directions for budget preparation and implementation.

4 Implementation strategies of comprehensive budget management in hotels

4.1 Establishing a budget management organizational system

Establishing a scientific and reasonable budget management organizational system is the primary task for implementing comprehensive budget management. It is the foundation for the effective operation of the budget, provides a clear management framework, and ensures the orderly conduct of all links of the budget. This system consists of two levels: the budget management committee and the budget execution departments. The budget management committee is responsible for formulating budget policies and strategies, approving budget goals and plans, and supervising and evaluating the implementation status. The budget execution departments are responsible for the specific budget preparation and execution, covering revenue, cost, and fund budgets. The system needs to clarify the responsibilities and authorities of all levels, assign budget responsibilities to individuals, and build a pattern of full participation. A sound communication mechanism should be established to promote communication and cooperation among departments through regular meetings and report feedback to ensure information sharing. A professional budget management team should be trained, and employees with financial, management, and technical backgrounds should be selected to be responsible for budget-related work to improve the professional level of management.

4.2 Scientifically formulating budget goals

Scientifically formulating budget goals is the key to ensuring the effectiveness of budget management, which needs to consider the corporate strategy, market environment, resource conditions, and the particularities of the hotel industry. Before formulating the goals, in-depth analysis of the corporate strategy should be conducted to clarify the requirements of the strategy on the budget, such as market expansion, profit growth, and service improvement, to ensure that the budget goals are consistent with the long-term strategy. The market environment, including competitors, industry trends, and changes in customer needs, should be analyzed to predict business development and provide a basis for budget goals. The enterprise's financial, human, and material resources should be combined to ensure the reasonable allocation of resources and avoid waste. The budget goals should include specific and quantifiable indicators such as revenue, cost, profit, and cash flow. The indicators should be measurable, achievable, and challenging. After determining the overall goals, they should be decomposed into specific goals for each department and each link, so that each department can clarify its responsibilities and ensure the achievement of the goals. At the same time, the budget goals need to be dynamically adjusted to reserve room for adjustment, analyze the risks of achievement, and formulate response measures to reduce the impact of risks.

4.3 Applying appropriate budget preparation methods

Selecting appropriate budget preparation methods is the key to ensuring the effectiveness of comprehensive budget management in hotels, and the methods need to be in line with the industry characteristics and corporate strategy. Hotels can combine incremental budgeting and zero-based budgeting. Incremental budgeting is based on historical data and adjusted in accordance with business development to maintain the continuity of the budget. Zero-based budgeting starts from actual needs and re-evaluates each expense to ensure the reasonable allocation of resources. The combination of the two takes into account both historical experience and innovation efficiency. Flexible budgeting can respond to business fluctuations. By setting different business volume levels, different cost and expense budget standards are formulated. For example, the labor and material budgets are set according to the room rental rate, which improves the accuracy and flexibility of the budget. Participatory budgeting encourages departments and employees to participate in the preparation process, which improves the acceptance and execution of the budget, enhances the cost awareness and sense of responsibility of employees, and helps to achieve the goals. In practice, first, historical execution, market trends, and competitor data should be collected and analyzed. Then, the preparation guidelines and directions should be clarified according to the strategy and business plan. Next, the budget tasks should be assigned, and the responsibilities and timetables should be clarified. After each department submits the preliminary plan, cross-departmental communication and optimization should be organized, and finally, the plan should be approved and confirmed.

4.4 Budget execution and control

Budget execution and control are the keys to ensuring the implementation of the budget plan and the achievement of goals. In terms of budget decomposition and allocation, the total budget should be decomposed by department and position, the responsibilities and goals should be clarified, and resources should be reasonably allocated to ensure that each department can give full play to its advantages. In terms of budget tracking and monitoring, a mechanism should be established, a budget administrator should be assigned, and the implementation data should be collected and sorted regularly and compared with the goals to grasp the implementation status in real time and ensure accurate execution. In terms of budget adjustment and approval, when there is a large deviation between the execution and the expectation, an adjustment mechanism and approval process should be established to ensure that the adjustment is reasonable and necessary. In terms of budget analysis and feedback, the implementation status should be analyzed regularly to identify problems and shortcomings, provide a reference for the subsequent budget, and feed back the results to the relevant departments to promote work improvement and enhance the implementation effect. In addition, internal control should be strengthened to ensure compliance in execution, and risk identification, assessment, and response should be strengthened to reduce the impact of risks. The budget execution should be combined with performance evaluation, and an incentive mechanism should be established to stimulate the enthusiasm and creativity of employees and improve the implementation effect.

4.5 Budget variance analysis

Budget variance analysis is an important part of comprehensive budget management, whose purpose is to identify the causes of deviations and provide a reference for improving management and enhancing operational efficiency. During the implementation process, close attention should be paid to the actual achievement of budget indicators, and data such as revenue, cost, and profit should be collected. The actual data should be compared with the budget data to calculate the variance, and the favorable variance (actual performance is better than the budget) and unfavorable variance (actual performance is worse than the budget) should be distinguished. The causes of the variance should be analyzed from internal (inaccurate budget preparation, poor execution, insufficient management) and external (market changes, policy impacts) dimensions. Improvement measures should be proposed according to the causes. For internal problems, it is necessary to strengthen preparation and improve execution. For external problems, it is necessary to pay attention to the market and adjust goals and strategies. After the implementation of improvement measures, the changes in the variance should be tracked, and the effectiveness should be evaluated to ensure the improvement of the budget management level. Experience and lessons should be summarized, the budget management system should be improved, the accuracy of preparation and execution should be enhanced, and a guarantee should be provided for the achievement of strategic goals.

4.6 Strengthening performance management and implementing reward and punishment systems

Strengthening performance management and implementing reward and punishment systems are the keys to improving the effect of budget execution and promoting the achievement of goals. Performance management should be closely combined with budget goals, and a performance indicator system covering financial (revenue completion rate, cost control rate), customer (satisfaction, complaint handling timeliness rate), internal process (service efficiency, compliance), and learning and growth (training completion rate, skill improvement degree) should be formulated. The performance goals of departments and employees should be clarified to guide them to promote budget execution in a targeted manner. In terms of the reward and punishment system, material rewards (bonuses, salary increases) and spiritual rewards (recognition, priority in promotion) should be given to departments and employees that have achieved the goals and performed well. For those that have not achieved the goals or have problems, penalties (deduction of performance wages, cancellation of eligibility for evaluation) should be imposed. The system should be fair, just, and transparent and gain the recognition of employees. The implementation status of the budget should be tracked and evaluated regularly to identify variances in a timely manner, analyze the causes, and formulate improvement measures. Performance management should be combined with budget execution, and the implementation status should be fed back to provide a reference for the next round of budget. At the same time, the performance system and reward and punishment system should be continuously optimized to promote positive interaction with comprehensive budget management. Employee training should be strengthened to enhance their budget awareness and performance concept and promote the overall improvement of the budget management level.

5 Conclusions and prospects

Research Conclusions Comprehensive budget management is of great significance to hotel operations. In a fiercely competitive market environment, the implementation of comprehensive budget management by hotels can reasonably allocate resources, improve operational efficiency, reduce costs, and enhance competitiveness. There is a close connection between corporate strategy and budget management. A clear strategy provides a direction for budget management and ensures that budget goals are scientific. Budget management provides a path and support for the implementation of the strategy. The two are deeply integrated through strategic budget management analysis methods, helping hotels accurately prepare and execute budgets and improve the effectiveness of management. The implementation strategies of comprehensive budget management in hotels cover organizational systems, goal-setting, preparation methods, execution control, variance analysis, performance management, etc. All links are interdependent and influence each other, forming a complete management system. The application effect is good, which can improve the operational level and competitiveness of hotels.

About the Author

Yuhua Yue, female, Han Chinese Master's Degree Dominican University, California, USA: The Impact of Comprehensive Budgeting on Hotel Management.

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