

Conceptual paper:

Abstract

Capacity building in participatory and Zero Based Budgeting (ZBB) approach for human capital in hospitality industry- *a case of five star hotels in Nairobi, Kenya*

Background of the study: Tourism is a key economic pillar in Kenya (Vision 2030-second medium term plan 2013/2017). The plan particularizes turning the country into a top 10 long haul tourist destination in the world as the overall strategy for the tourism sector. This will be achieved through growth and diversification of tourist sources. The sector has also undertaken to market new high-end tourist segments like business, cultural and ecological tourism in order to increase the number of tourists.

The ministry aims to attract, develop and retain competent and motivated staff. Ministry's Strategic Plan (2008/12) pronounces that this will be accomplished by; upgrading skills in the workforce, rationalizing staff capacity and improving work environment. More precisely, building capacity in all focus areas in the hospitality and tourism industry operations is an overriding strategy. In the past, upgrading skills in the industry has focused on the key production areas (housekeeping, front office, service and food production) with little emphasis on support service areas. Training and involvement of staff in budgeting process cannot be overemphasised. This study echoes the sentiments of Reeve & Warren (2007) who declares that many blamed the lack of law and enforcement for contributing to financial reporting abuses. This concern is currently being addressed through the constitution of Kenya 2010, which requires public participation in the budget making process, at least for public organizations.

Ninemeier & Shimidgall (1984) claims that all preparers and users should adopt a participatory approach in order to realize benefits of well prepared and implemented budgets. The financial manager

does not operate in a vacuum (Brealey, Myers & Allen, 2008) and is required to involve all staff in the budget making process for enhanced performance. Reeve and Warren, (2008) are of the view that inaccurate standards may distort management decision making and may weaken management ability to plan and control operations. The duty of management is to pursue the goals of the stockholders in a manner consistent with law (Schall & Haley, 1988). Reeve and Warren further advises that tight unrealistic standards may have a negative impact on performance.

Statement of the problem: Lack of a participative approach in budgeting process has been previously noted in the industry. Despite the constitutional requirement to engage all stakeholders in budget making process, a majority of establishments targeted for this study do not have public accountability i.e their securities are not publicly traded, are not financial institutions and are not required to produce general purpose financial statements. A question troubling some preparers and users of budgets is whether budgets are synonyms with pressure devices. Oftentimes, countless employees suffer the pressure to meet the budget.

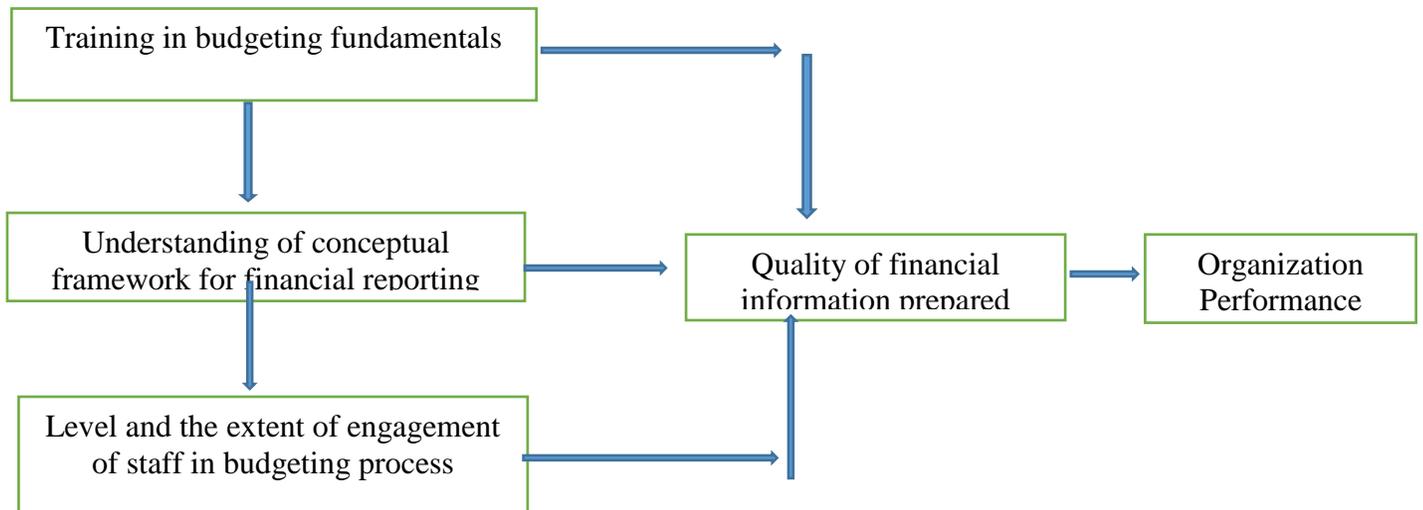
Every so often, the route cause of the immense pressure in meeting budgetary targets emanates from the mistakes made during the budgeting process. Human behaviour problems arise if budget goals are too tight and very hard for employees to achieve, too loose and very easy to achieve or if they conflict with the objectives of employees. Echoing these sentiments are (Reeve and Warren, 2008) who notes that tight unrealistic standards may have a negative impact on performance. Specifically, when budgets are not well planned and implemented, there are resultant adverse outcomes, which inter alia, include; being a source of conflict between departments, leads to wastage, dishonesty and ultimately unnecessary engagement of resources.

Research objectives: (i) establish the level and the extent of engagement of the hospitality industry workforce, in the budget making process (ii) determine if the preparers and the implementers of the budgets are trained in budgeting fundamentals, which encompasses basic skills and knowledge in participative and Zero Based Budgeting (ZBB) approach. (iii) Document the distribution index on the understanding of conceptual framework for financial reporting and ascertain if participatory budgeting process has an impact on the qualities of budgets prepared (iv) Ascertain if training and/or adoption of the participatory approach in budgeting has an impact on the quality of the budgets prepared and thus the effects on organization performance

Academic and practical implications: The fundamental implication of this study is premised on the decree advocated by (Yek, Penney & Seow, 2007) that participatory approach leads to a discernible overall organization's performance and positive effects such as employee satisfaction and business knowledge. Accordingly, the findings of the study will confirm whether there exists a significant relationship between budget preparation and organizational performance. This information will help academicians to develop applicable models either at the strategy formulation, implementation, monitoring and evaluation stages. Thus, practitioners will be informed while making budgeting decisions.

Justification of the study: Eddie, Laney and Atrill, (2008) mentions that various charges have been levelled against the conventional budgeting process. Positively, the current constitution advocates for a participatory approach in budgeting. The hotel industry needs to inculcate this directive not only for purposes of conformance with the public sector practise but also for improved performance. Additionally, no similar study has been carried out, the findings of this research will provide a basis of streamlining budget preparation process while offering useful information to the stakeholders.

Conceptual framework: based on the foregoing, the study proposes the following conceptual framework:



Research Methodology: Due to dearth of information to give insights on the relationship between the variables being investigated, the study will employ explorative research design. This study will apply both primary and secondary data. Primary data will be collected using questionnaires and interviews. Secondary data, will be obtained from the hotel's financial records, performance targets and reporting details. Population of the study will be the five star hotels and restaurants within Nairobi County as classified by the Tourism Regulatory Authority (TRA) in 2016. This population was selected since it has a wider range of activities in their operations compared to other lower rated establishments. Systematic random sampling will be used. The selection of the sample size will be based on the Krejcie & Morgan (1970) table for determining the random sample size from a determined population whose confidence level is 95% with a margin error of (confidence interval) of ± 5 . The research will also employ the sample size calculator, to facilitate the determination of the level of precision in an existing sample. The study will make use of the Chi Square test, to test research hypothesis.

Key words: budgeting fundamentals, hospitality and tourism, organization performance, training, participative approach, Zero Based Budgeting (ZBB)

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