



Principles of Beyond Budgeting for Aston Jayapura Hotel and Convention Center

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Abstract. As the capital of one major island in Indonesia, Jayapura's nature attracts tourists to the city; of course, this will affect the regional economy. Safe and comfortable accommodation must support this opportunity to improve the regional economy. Therefore, hotels in Jayapura can meet these conditions by providing the best service and responding quickly to dynamic market changes. To respond to the changes, entities need flexible management and can innovate freely. Beyond budgeting, which acts as a tool can be used by entities to help them become more flexible in the face of sudden changes. This study assessed the readiness and need for an adaptive and flexible budget in a four-star Jayapura hotel, Aston Jayapura. The 12 principles of beyond budgeting are the primary indicator in this study. The result is that Aston Jayapura has implemented 6 principles well enough, so some are still open for improvement. All the findings indicate that the hotel needs to improve its budgeting quality due to the inefficient allocation of resources and being attached to the annual budget. Although the hotel has implemented half of the principles, Aston Jayapura needs a challenging effort to implement beyond budgeting. They can implement an adaptive and more flexible budget than they used to. Therefore, the recommendations could enhance the efforts for improvements and the focus to change for management flexibility.

Keywords: beyond budgeting · dynamic market changes · flexibility

1 Introduction

Hotels need flexible management when performing their duties in dealing with dynamic market changes. Traditional budgeting is becoming increasingly irrelevant because it is very detailed and rigid, making middle leaders less empowered due to centralized decisions. Adapting beyond budgeting can help hotels overcome these weaknesses if they have a need or problems with their budgeting. The budgeting process has many issues, such as resources that are not allocated properly, lack of empowerment of middle leaders, unrealistic targets, and other problems that make business entities in any sector experience obstacles in their operational activities [1, 2].

Based on these problems, this study was conducted at a four-star hotel known as Aston Jayapura. The competitors that keep increasing make Aston Jayapura must be more prepared and able to fulfill consumers' needs. If the hotel management is still

Table 1. Principles of Beyond Budgeting.

| Leadership Principles | Management Process |
|--|--|
| 1. Purpose – Engage and inspire people around bold and noble causes; not around short term financial targets | 7. Rhythm – Organize management process dynamically around business rhythms and events; not around the calendar year only |
| 2. Values – govern through shared values and sound judgement; not through detailed rules and regulations | 8. Targets – set directional, ambitious and relative goals; avoid fixed and cascaded targets |
| 3. Transparency – Make information open for self-regulation innovation, learning and control; don't restrict it | 9. Plans and forecast – make planning and forecasting lean and unbiased processes; not rigid and political exercises |
| 4. Organization – cultivate as strong sense of belonging and organize around accountable teams; avoid hierarchical control and bureaucracy | 10. Resource allocation – foster a cost conscious mind-set and make resource available as needed; not through detailed annual budget allocations |
| 5. Autonomy – trust people with freedom to act; don't punish everyone if someone should abuse it | 11. Performance evaluation – evaluate performance holistically and with peer feedback for learning and development; not based on measurement only and not for rewards only |
| 6. Customers – connect everyone's work with customer needs; avoid conflict of interest | 12. Rewards – reward shared success against competition; not against fixed performance contracts |

fixated on the budget, it will hinder its growth. Traditional budgeting will make hotels have unrealistic targets because they ignore external factors such as time values of money, inflation, consumers' need, and other economic problems [1, 3, 4].

Table 1 shows the principles of Beyond Budgeting by BBRT. The principles are divided into two parts. The essence of implementing beyond budgeting is to change the focus of strict control to be more flexible or bottom-up [1, 5]. The bottom-up approach is more recommended because it is more participatory than the strict one. With bottom-up, the hotel's management can increase the department heads' commitment and increase the sense of ownership. Therefore, budgeting will become their guide in working and taking action, and their participation in preparing the budget will significantly affect the performance of the department heads [2]. Besides that, the bottom-up approach will create a decentralized decision system, so that type of coaching and empowerment is the right type for implementing it [6] Rather than traditional budgeting, rolling budget and forecast will be a type of budget that is more suitable or relevant for hotels [7].

2 Research Method

This study applied a qualitative-interpretive approach. The process requires observations from different sides and perspectives that can cause the phenomena and the consequences of these phenomena. Interviews and observations were carried out to collect data and

information, and then that information was triangulated by analyzing documents to minimize bias [8]. The methods were done for the relevant people and positions related to the budgeting and relevant documents such as the last three years' budget, golden rules, ethics guidelines, etc. In addition, this study was conducted to understand further the beyond budgeting implementation based on 12 principles of beyond budgeting.

3 Results and Discussion

Aston Jayapura's ability to adapt beyond budgeting and its need for an adaptive and flexible budget were assessed based on 12 principles, which are elaborated according to the problems or constraints. Principles 1 to 6 are the principles beyond budgeting which focus on the leadership style of top management. Principles 1 and 2 discuss how top management can convey the vision and mission of the entity to all staff to participate in adopting the entity's goals as a common goal. It is known that Aston Jayapura has a low employee turnover rate, proving that leaders, especially department heads have succeeded in providing a comfortable working atmosphere for staff. From the two types of leadership suitable for beyond budgeting, Aston Jayapura has coached the staff according to the hotel's mission to help them develop their skills and careers. Because of that, the staff becomes more confident in serving guests, especially when they receive bad feedback. Some of them can handle it very well without their supervisor.

Principle 3 talks about an entity's financial and non-financial information transparency. In line with the previous 2 principles, the information is spread quickly because the staff is already comfortable with each other. Besides that, Aston Jayapura uses Visual Hotel Program (VHP) as its integrated software so every department can get financial information. However, from the observation, only some staff know how to operate this software. Even though they have been trained about it, they still do not use that software because they lack knowledge and are careless about that information. The following principles explain why they become careless about the hotel's condition.

In addition to coaching, empowerment is a type of leadership necessary for middle leaders to run their departments to achieve the hotel's goals. However, according to the type of traditional budgeting, centralized decisions are the basis for decision-making at Aston Jayapura. Based on the information, only 1 out of 6 departments has broad powers and is almost fully empowered. Sales marketing department head can decide her strategies to achieve the goals and determine the benefits guests want in their bargain. Except for her, other department heads cannot decide on their own, such as room price, buy 1 get 1 or make bundle promos of food and beverages, another facilities price, etc. Principle 4 is difficult to implement at Aston Jayapura because of the centralized decisions and CH (name disguised), as the parent company involved in Aston Jayapura's operational activities.

Based on the management agreement, Aston Jayapura's owner has the full rights to execute the management as he wants. Principle 5 relates to principle 4 because even though the sales marketing department head had given the authority to decide the benefit; she had to tell CH about their strategies in detail. Often, the evaluation provided by CH is too detailed and seems to dictate sales marketing in carrying out their plan. On the one hand, it can help sales marketing to have a clear and well-founded strategy. Nevertheless,

a detailed evaluation can change the whole strategy and make sales marketing strategies from others, not themselves. Not only that case, the decision that the department heads are no longer allowed to make their own budget, which is CH's decision. Actually, this decision is not a problem; it is just that the owner, who has the right to run the management, should be more concerned with things like that. The owner can reconsider the decisions given by CH whether it is suitable for the hotel's condition.

As a service entity, Aston Jayapura chooses to involve the customers and suppliers as their base to improve. Feedback and guest satisfaction is the main priority of Aston Jayapura, and that is a wise choice to involve them. However, it was found that Aston Jayapura was inconsistent in dealing with that feedback. Principle 6 emphasizes dynamic coordination and how the entity connects every role to fulfill the guest's needs. Aston Jayapura can maximize the implementation of this principle, but the hotel's human resources must consistently deal with the feedback and realize what needs improvement. That will make guests feel appreciated, and if they see the improvement, it can increase the hotel's income.

The rest of the six principles focus on the management process. Principle 7 is one of the six principles that Aston Jayapura has already implemented but needs improvement. For now, all six department heads agree that the hotel's image and ability to compete with competitors are their main priorities rather than the annual target. This principle looks hard to develop, but it is possible. Based on the past event and some situations, even though the department heads did not get their full rights to run their department, but it didn't stop them from doing everything they could to give the best for the guests. For example, on October 2021–December 2021, PON and PEPARNAS were held in Jayapura and made Aston Jayapura needs additional rooms, make new facilities to assist participants with disabilities, etc. That costs a lot and of course, the owner is the one who can decide it. Nevertheless, in that situation, the owner cannot handle it alone, so some department heads need to support the owner with their resources and take quick action to give the best service to the guests. Of course, they must be accountable for their actions at the end of the month. The owner will not punish them as long their actions positively impact the hotel's income.

Traditional budgeting with centralized decisions and strict and fixed targets is the condition that occurs as Aston Jayapura. Relative target is a principle that is quite difficult for Aston Jayapura because if only the Chief Accountant (CA) does the forecast and makes a minor adjustment, it will not be a relative target. Although CA does that, it would be different if the department heads participated in target setting because they know more about market conditions and demands.

To achieve the target, profitable departments must have a continuous plan. Based on observation and interviews, only sales marketing and F&B departments have a continuous and different plan. Related to what principle 5 mentioned, sales marketing is the profitable department, so its strategy will be reported and evaluated with CH. They have to answer how to achieve the targets with those strategies, who will achieve them, and how they can achieve them. As previously mentioned, this kind of evaluation has a good impact, but sales marketing needs to maintain focus on its strategies. For other profitable departments, they usually help sales marketing to ensure the plan goes well.

To accomplish the plan, resources for every department are really important for the proper allocation. As principles 4 and 8 mentioned, the department heads are not allowed to decide their own budget, making some departments get too many resources. During the process of budgeting 2023, CA only allocated according to the budget of 2022 and actual for the first eight months. As a result, HRD and some departments get the same amounts, sales marketing gets a higher target to achieve, and front office and F&B get almost similar amounts as last year. Principle 10 emphasizes resources being allocated as departments need, and we know that Aston Jayapura does not implement this. This principle has a strong relationship with the last two principles because department heads' performance will be based on budget variance.

Because of the inappropriately allocated resources, performance appraisal based on budget variance is not that right to be used (principle 11). Whether or not the performance of the department heads will be assessed based on how much their department can earn to achieve the hotel's target. This kind of evaluation is not wrong as the budget can represent the department head's performance. In this case, this evaluation is incorrect for them because of the lack of evaluation conducted. On principle 7, when some department heads earn more for their department but make more expenses, affecting the performance appraisal.

Related to that condition and how large the extent of the owner's power makes, Aston Jayapura does not have policies about reward and punishment (principle 12). The main reason is that the hotel's impact is from the owner's decision. Reward and punishment are important things that every entity must consider it. Based on the conditions and owner, Aston Jayapura can first make the policies about reward and punishment and reward departments that reach or almost reach the target. That can help Aston Jayapura to increase the staff's motivation. As principle 3 mentioned, the absence of clear policies about reward and punishment will make them lose interest in the hotel's condition. In addition, Aston Jayapura may not make the service charge part of the reward because it is a mandatory right to be received by hotel staff.

4 Conclusion

The literature, findings, and discussion show that much preparation is needed to be implemented beyond budgeting. However, whether or not the entities implement this type does not determine their quality. Many indicators and factors can affect the implementation of beyond budgeting, such as static or dynamic market changes, economic, competitors, social and political issues around the entity, etc. As for the object, Aston Jayapura needs adaptive and flexible budgeting. Although Aston Jayapura has already implemented 6 of 12 principles, which are principles 1–3, 6, 7, and 9, it does not mean that Aston Jayapura can implement this type of budgeting. Based on related literature, to deal with problems such as inappropriate allocations, lack of empowerment of department heads, unrealistic targets, lack of motivation, etc. Aston Jayapura can use rolling budgets and forecasts to cover the weaknesses of traditional budgeting.

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