10 Event and Function Management Acounting Techniques

10.1 Introduction and objectives

This chapter focuses on a particular type of decision making that is associated with bespoke, 'one-off' events and functions. These can be associated with events in any sector and still have value to hospitality and tourism managers who often are involved in, or are impacted by such events locally, nationally and internationally. The chapter focuses on the specific nature of these decisions, as opposed to routine decision making or the running of 'standard' events follow a predetermined package that has been used many times before.

After studying this chapter you should be able to:

- Gain a working knowledge of how the nature of events impacts on the management accounting tools useful in the decision making process
- Develop a working knowledge of management accounting tools that aid event planning, operation, control and performance measurement; and
- Understand the usefulness of management accounting in the events sector for management decision making.

10.2 Features of the events and function sector

Whether it is running a: wedding in a hotel banqueting suite, charity fun run, food and drink festival, weekend music festival, major international sporting event, an air show, major annual conference, literature festival, vintage steam fair, corporate event, product launch, or concert, all events have a common feature and that is they are not continuous. An 'event' is just that, it is an 'occurrence', 'activity', 'happening', 'gathering', 'activity', so whether it is bespoke, 'one-off' event, or one of a series events (concert tour, annual conference, annual charity ball) each individual event is usually discrete. If this is compared to a hotel, which is operating 24/7, 365 days of the year, they are quite different. This has implications for management accounting, the best techniques to use and the 'unit' of analysis.

In a hotel, customers arrive and depart all the time, it never stops. There is never a point where you are without customers, some will be arriving, some will be departing and other will be in the middle of their stay. In an event, whilst individuals may not all arrive at exactly the same time, by nature, an individual event has a beginning, middle and an end point predetermined. For example, for a local food and drink festival, stall holders may set up on the Thursday, it is open to the public set hours Friday–Sunday, and then the event is closed. The implications of this provide particular benefits, but also higher financial risks if management accounting information is not used effectively by event managers.

The risk is associated with the relative number of 'events' taking place. If the event company only runs 2–3 major national/international events a year financial failure of one event could represent a third of the year's the trading opportunity. In a hotel, if one night is a financial problem you still have 364 other nights trading in the year to rely on. With outside summer events external uncontrollable factors such as the weather could cause a significant impact on the event. It is therefore critical that event managers look at all potential scenarios and are able to financially model the 'What if?' implications at the planning stage, looking at worst case as well as expected scenarios.

The management accounting opportunity available to an event is related to its discreet nature. Financial planning and control can be at the level of 'the event'. In a continuous operation, such as a hotel, planning and control is best at the level of the individual customer/unit, or over a time period (day, week, a month, for example). Management accounting at the level of 'the event' is the equivalent of using 'job costing' within manufacturing. A separate financial plan can be set up for the event and controlled at that level throughout the planning, operation and review process. In this chapter sections will focus around how management accounting aids managers' planning, during and post-event. This has two purposes: one to ensure the individual event is financially as successful as possible; and second, that the financial data becomes a point for review and evaluation to aid planning further events in the future.

10.3 Event planning phase management accounting tools

There are many strategic and practical event planning tasks that can be aided by management accounting. The diagram in Figure 10.1 highlights some of the financial considerations and these are then discussed in relation to how management accounting tools can assist event managers.

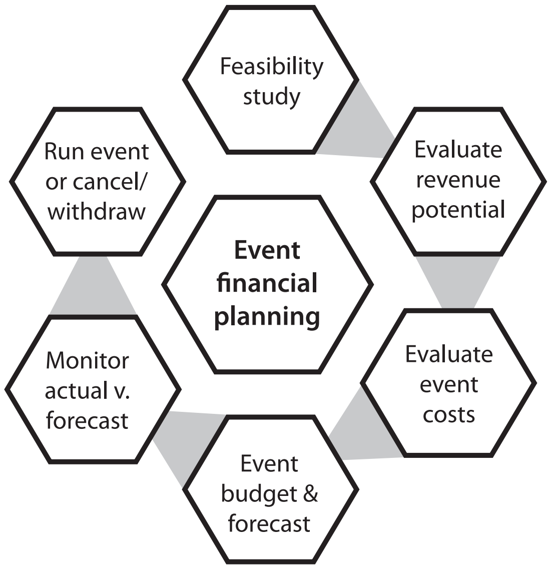

Figure 10.1: Management accounting in event planning

10.3.1 Feasibility study

Depending on the event type, it may be the event company is: being asked for a quote to run an event for another organisation; is the promoter/operator of their own event; or responding to an open public tendering process. However, in all circumstances a feasibility study is required before committing to the event. The feasibility study may include:

- Does the company have the required skills and expertise (or could acquire them) needed to run the event?
- Does the event fit with the strategic direction of the company?
- Is there time availability in the diary needed for the event (clashes with planning and running other events)?
- Can the event provide a financial return for the company?

It would make no sense to accept an event contract and after signing contracts realising it will be a loss-making event. Being able to consider the financial potential at an early stage in the planning process is critical to making the right decision.

10.3.2 Evaluate revenue potential

Depending on the type of event, it may be an all-inclusive fee for managing the event, selling tickets to the public, selling trader space, merchandising, bars, food and drink, additional workshops, VIP packages, etc. Operationally, it is about estimating the potential volumes and prices for each potential revenue source.

From a management accounting perspective, these estimates need to be based