

Tourism Firm Performance: A Policy Perspective

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Abstract

The vision of the New Zealand Tourism Strategy 2015 is that tourism is valued as the leading contributor to a sustainable New Zealand economy. Successful businesses underpin a prosperous tourism sector that attracts ongoing investment. They are important vehicles of sustainable economic growth, generating regional income and creating employment opportunities for their communities.

To be successful, businesses need to develop and increase their yield, or return on investment. This is particularly important as seasonality can reduce a business' ability to generate returns throughout the year. To increase yield, businesses require the necessary financial and management skills. But herein lies the challenge, as tourism businesses' management and financial practices are largely informal.

This paper explores, from a policy perspective, how to build operators' management capability to increase their return on investment. Projects led by the Ministry of Tourism draw upon several streams of previous work. This includes the Yield Research Programme which has provided valuable, sector-specific metrics by which performance can be measured. The New Zealand Tourism Strategy 2015 calls for businesses to put in place strategies that will increase their return on investment. As a result, the Ministry of Tourism is involved with a number of business assistance projects, which will be discussed in this paper.

Key words: Tourism policy; Small and medium tourism businesses; Business skills; Business capability; Tourism business assistance.

Introduction

Tourism is a critical sector in the New Zealand economy. In 2007, the sector contributed \$20 billion to the economy, representing an \$8 billion, or 5 percent, direct contribution to gross domestic product. International tourism's export earnings consistently exceed dairy receipts, making the sector New Zealand's largest single export earner (Statistics New Zealand, 2008). Tourism also provides a significant source of employment. For the year ended March 2007, 108,000 full-time equivalents were directly engaged in tourism, accounting for 6 percent of the labour force. In fact, one in every ten New Zealand workers is either directly or indirectly engaged in tourism (Statistics New Zealand, 2008).

To guide New Zealand's largest export sector, the New Zealand Tourism Strategy 2015 (NZTS 2015) was developed. An update of the 2010 strategy (Tourism Strategy Group, 2001), the next strategy is led by the vision that "In 2015, tourism will be valued as the leading contributor to a sustainable New Zealand economy", embracing the key Maori values of *kaitiakitanga* and *manaakitanga* (Ministry of Tourism, Tourism New Zealand & Tourism Industry Association, 2007a, p.6). These two values provide a foundation for the industry's sustainable approach to development. *Kaitiakitanga* translates to guardianship, care and protection, representing the sustainable management of New Zealand's natural, cultural and building environment for current and future generations. *Manaakitanga* implies the reciprocal responsibility upon a host, in which the visitor is invited to experience the best New Zealand has to offer (Ministry of Tourism *et al.*, 2007a).

The NZTS 2015 comprises four outcomes:

1. New Zealand delivers a world-class visitor experience
2. New Zealand's tourism sector is prosperous and attracts ongoing investment
3. The tourism sector takes a leading role in protecting and enhancing the environment
4. The tourism sector and communities work together for mutual benefit.

The NZTS 2015 emphasises that creating economic value is as important to the success of tourism as environmental and cultural sustainability. The performance of the private sector is critical to this, as reflected by the priority identified in Outcome Two, where "tourism businesses identify and put in place strategies that will consistently increase their returns on investment" (Ministry of Tourism *et al.*, 2007a, p.38). The following actions are required to achieve this;

- Improve resource efficiencies, workforce management, and profitability opportunities for all businesses through more clustering, joint ventures, and other industry cooperation initiatives.
- Encourage the hotel industry, inbound tour operators, and airlines to work together on things such as pricing and seasonal campaigns.
- Streamline and improve the focus of existing business-assistance programmes to help operators increase their return on investment and develop quality products.
- Build management capability by identifying and developing staff to undertake effective management training programmes.

This highlights the importance of tourism firm performance, as a means of creating a prosperous tourism sector that attracts ongoing investment (Ministry of Tourism *et al.*, 2007a). This is reflected in the Ministry of Tourism's policy initiatives focussed on improving firm performance, which are the foci of this paper. These programmes draw upon streams of previous Ministry of Tourism programmes, the Yield Research and the work of other organisations.

Tourism Firms in New Zealand

The number of tourism firms operating in New Zealand is difficult to accurately measure. This is attributable to tourism being a problematic sector to classify in terms of enterprise type, with tourism not having a specific ANZSIC¹ code. Furthermore, businesses can have a varying degree of tourism orientation, in which they are either 'tourism characteristic'² or 'tourism-related'³ (Statistics New Zealand, 2008). Therefore, no official statistics exist on the number of tourism businesses. As an alternative, the Tourism Satellite Account (TSA) measures the supply in terms of the value of total tourism products sold by the sector. In 2007, this was calculated to be \$18.6 billion, 52 percent of which (\$9.7 billion) was from tourism-characteristic industries while 41 percent (\$7.6 billion) was from other industries (Statistics New Zealand, 2008).

It can be said with a degree of confidence that the majority of tourism businesses are small or medium in size (referred to as small and medium tourism enterprises or SMTEs). Between 13,500 and 18,000 SMTEs are thought to be operating in New Zealand, of which 80 percent employ less than five people. This estimated range, however, is based on two studies that adopted different terms; 'tourism businesses' and 'businesses involved in providing services to tourists' (Tourism Strategy Group, 2001). The prominence of small businesses in tourism is supported by commercial accommodation sector data, where in 2006 the majority (44 percent) of all accommodation establishments had no staff but were solely operated by the owners. A further 30 percent employed between one and five staff members, 19 percent employed between six and nineteen staff, while the remaining 6 percent employed twenty or more people (Ministry of Tourism, 2007).

New Zealand's high proportion of SMTEs is similar to other countries, as the United Nations World Tourism Organisation (UNWTO) estimates that over 90 percent of Europe's tourism enterprises are small or medium (UNWTO 2008). Estimates in Australia have also shown that 91 percent of 'tourism characteristic'⁴ and 'tourism

¹ Australia and New Zealand Standard Industrial Classification

² According to Statistics New Zealand, a tourism-characteristic product is one that would cease to exist in meaningful quantity, or for which the level of consumption would be significantly reduced, in the absence of tourists. A product is classified as a tourism-characteristic product if at least 25 percent of its production is purchased by tourists (Statistics New Zealand, 2008, p.28).

³ According to Statistics New Zealand, a tourism-related product is distinct from a tourism-characteristic product in that tourists consume a smaller proportion of the total supply of the product. For a product to be classified as a tourism-related product, tourists must purchase up to 25 percent of its production (Statistics New Zealand, 2008, p.28).

⁴ According to this study, a tourism characteristic business is in those industries that would either cease to exist in their present form, or would be significantly affected if tourism were to cease (Bergin-Seers & Deery, 2004, p.15).

connected⁵ businesses are small or micro (less than twenty employees) (Bergin-Seers & Deery, 2004). Although these are small firms, their “collective critical mass” means they are of critical importance (Morrison, 2002, p.3). As such, SMTEs are an important consideration in the discussion of tourism firm performance and have been the subject of much research and policy interest. As an example, the Yield Research incorporated a large component of its research focussed on SMTEs, in the form of a national survey of 770 businesses and interviews with 77 business owners (Ministry of Tourism, Tourism Industry Association New Zealand, Tourism Recreation Research & Education Centre, 2007b; Wason, Sleeman & Simmons 2007a; Wason, Sleeman, Moriarty & Simmons 2007b).

The following section outlines some characteristics that are often unique to tourism businesses, particularly those that are small or medium sized. Such characteristics are important considerations when delivering assistance to these firms, requiring specific attention from small and medium businesses in other sectors.

Tourism firms are often thought of as being ‘lifestyle’ firms. Research has consistently shown that non-economic, or lifestyle, motivations are primary determinants for entering the tourism sector, particularly for smaller operators. These motivations have been the subject of much discussion within the SMTE literature (Ateljevic & Doorne, 2000; Getz & Carlsen, 2000; Haber & Reichel, 2005; Nilsson, Petersen & Wanhill, 2005). Lifestyle can be represented in a number of ways, including living in a particular location (Andrew, Baum & Morrison, 2001; Komppula, 2004), allowing the business to revolve around family needs (Getz, Carlsen & Morrison, 2004), a semi-retirement option (Andersson, Carlsen & Getz, 2002; Iannides & Petersen, 2003; Getz *et al.*, 2004; Hall & Rusher, 2004), or the commercial pursuit of a hobby or leisure interest (Ateljevic & Doorne, 2000; Hall & Rusher, 2004; Wason *et al.*, 2007a). However, the Yield Research’s Small Tourism Business Survey found that operators were motivated by a combination of financial and lifestyle reasons, although enjoyment was an important part of the decision to start a tourism business (Wason *et al.*, 2007a). Therefore, to achieve the lifestyle operators set out to attain, the business must be profitable enough to deliver this lifestyle.

It has also been reported that tourism firms are unlikely to undertake business or strategic planning, again a characteristic that is particularly relevant for SMTEs. Operators often experience time shortages and managerial overload, which as a result reduces their propensity to undertake business planning. Instead, immediate personal judgement is a major influence on business decisions, as the operators’ time is spent merely ‘fire-fighting’ short term problems as they frequently arise (Peters & Buhalis, 2004). This short-term view is taken at the expense of formal business or strategic planning, as studies have identified that owner-managers are unlikely to undertake such processes (Travel, Tourism & Leisure Group, 1996; King, Bransgrove & Whitelaw, 1998; Page, Forer & Lawton, 1999; Friel, 1999; Stoke & Aitken, 2003; Ateljevic & Doorne, 2004; Peters & Buhalis, 2004).

They had little or no time for planning or ‘strategic’ decision-making ... none of the owners interviewed used the term ‘strategic’ to describe their decision-making practices, while some

⁵ According to this study, a tourism connected business is on those industries, for which tourism related product is directly identifiable, and where the products are consumed by visitors in volumes, which are significant (Bergin-Seers & Deery, 2004, p.15).

even gave an indication that 'strategic' management, decision-making, and long-term planning were activities which benefited only large organizations (Byers & Slack, 2001, p.32).

Formal planning is instead replaced with informal methods (Mazzarol, 2000). Informality is another endemic characteristic of small tourism businesses, in that "decision making ... [is] a highly informal and *ad hoc* process" (O'Gorman, 2000, p.283). For example, the Yield Research found that 75 percent of its respondents were informal rather than formal planners. Furthermore, 72 percent of respondents planned for no longer than one year ahead (Wason *et al.*, 2007a). Although informal planning is not assumed to be ineffective (Wason *et al.*, 2007a), formalised strategic planning is still advocated;

It forces the entrepreneur to understand what is going on, how to progress and how to create milestones to benchmark achievement. Such a plan should also offer a conscious choice as to development possibilities (Nilsson *et al.*, 2005, p.592).

Another important consideration of tourism firms is the range of ways to measure their performance and therefore business success. With success being broadly thought of as the achievement of motivations and goals, the prevalent non-economic, or lifestyle, motivations of tourism firms are an important factor in this equation. "Goals reflect the personal motivations and priorities of the small business owner-managers themselves" (Dewhurst & Horobin, 1998, p.28). Unlike other businesses where "success is frequently identified in terms of universal economic indicators ... many of these firms are being run by people who have other motives for running the enterprise" (Beaver & Lashley, 1998, p.227).

As such, tourism operators' lifestyle motivations can translate into unique measures of success that tend not to be commercially focussed. Rather, they reflect more 'subjective' ways of being successful (Komppula, 2004; Morrison & Teixeira, 2004; Haber & Reichel, 2005). These include the ability to balance personal or family life, maintain job satisfaction, retain control and flexibility or quality of life and place (Andrew *et al.*, 2001; Komppula, 2004). Yet such goals for success are diverse and based upon the range of lifestyle motivations (Dewhurst & Horobin, 1998). This diversity is seen in the Yield Research's Business Interviews (Wason *et al.*, 2007b), where customer satisfaction was surprisingly the most common measure of business success, followed by visitor numbers and profit. What is important is that these measures are in contrast to more 'objective' measures such as financial performance.

Therefore it is not that these businesses do not want to achieve business success, but rather what they constitute as 'success' differs from more standard measures. However, this is not to say that financial success is not a factor, because the wide array of how success is conceptualised does include financial measures. This is because, despite their lifestyle aspirations, earning an income is still a reality for these businesses and being self-employed in tourism is a means to finance such a lifestyle. Therefore revenue is a factor in how success is measured, but it is one measure of many. It could also be said that financial return is, to some extent, traded-off with desired lifestyle; "they may well be more interested in satisficing [*sic*] economics than profit maximisation" (Andrew *et al.*, 2001, p.21).

The NZTS 2015 is concerned with the financial performance of tourism firms;

The success of New Zealand's tourism sector is ultimately dependent on the performance of the businesses within it. If they are successful, the sector will keep growing, which will deliver significant benefits to the businesses themselves, to their communities, and to the New Zealand economy as a whole (Ministry of Tourism *et al.*, 2007a, p.30).

Therefore, the financial management and performance of tourism firms was examined in the Yield Research. To be sustainable, businesses must be profitable, not only in terms of meeting incurred expenses, but also in the long run to generate sufficient returns on capital invested. This ensures that investment in the tourism sector will continue. By using the metric of Financial Yield⁶, the Yield Research examined the rate of return on tourism firms' assets (Ministry of Tourism *et al.*, 2007b). This metric, which can also be thought of as the opportunity cost of capital, is in response to the need of the sector to focus more on value rather than volume. The tourism sector in the past has been heavily reliant on volume growth. But with increasingly intense competition internationally, and pressure throughout the economy for an available supply of labour to sustain this volume growth, the sector must instead focus on getting more 'bang for their buck' (that is improve yield), rather than rely on volume growth to drive the economic returns for the sector. At the firm level, Financial Yield is also important when seasonal patterns of demand are taken into account, as assets may be under-utilised in the off-season.

The Yield Research found that overall tourism firms have positive Financial Yields. However, some sectors (for example accommodation and cultural/recreational services) are low performing compared to the rest of the economy. With a high degree of variance in Financial Yields within each sector, it was concluded that there were no structural reasons for the varied performance (Ministry of Tourism *et al.*, 2007b). This suggests that financial performance is a function of individual management, rather than weaknesses of the sector as a whole.

While assessing Financial Yield, the research also investigated other areas of business management to gain greater insights into tourism firms. As is the case with business planning, it was found that financial management was largely informal. For example, financial monitoring was undertaken using simple measures such as profit, income and costs, with few firms using more sophisticated performance ratios (Ministry of Tourism *et al.*, 2007b). The interview phase of the research also revealed that price setting was particularly informal. Cost was not the most important factor when operators determined their price. Instead competition was the most important pricing consideration. This was followed by cost and the customer, while few considered their desired rate of return. Given that 48 percent of respondents did not mention cost at all as a pricing factor, this result was subject to further analysis. A statistically significant relationship was found between those who did consider cost when price setting and those who had higher Financial Yields. This points to the need for operators to have more sophisticated pricing strategies, particularly recognising that costs are an essential part of this process (Wason *et al.*, 2007b).

The Yield Research also found that Financial Yield did not necessarily correspond with turnover. In most sub-sectors, the highest Financial Yield did not come from

⁶ Financial Yield is defined as the ratio of (Net Operating Profit After Tax and Before Interest) / Total Assets.

firms with the largest turnover, but rather those in the middle to upper turnover bands (Ministry of Tourism *et al.*, 2007b). This indicates that volume growth is not necessarily a means to increase Yield, as greater turnover is likely to need a greater capital cost. Furthermore, it also highlights the importance of small and medium businesses in the tourism sector, which appear to be more prosperous in terms of Financial Yield.

As identified above, lifestyle is a common motivator for operators to start a tourism business. However, these motivations are not associated with a commercially successful business as they are often deemed unprofessional or “a danger to the industry” (Hall & Rusher, 2004, p.95). The Yield Research indicated that these prejudices may be unfounded;

Prior to this research, lifestyle goals were seen as compromising more conventional business goals. However, this research found that while working in a business that one enjoys is associated with a higher level of commitment and greater rewards in terms of personal satisfaction, there is no difference in terms of Financial Yield compared to purely business-oriented firms (Ministry of Tourism *et al.*, 2007b, p.12).

This finding, based upon small business surveys and interviews, is an important one for New Zealand tourism, as it refutes the common misconception that ‘lifestyle’ businesses are financially unsuccessful (Ministry of Tourism *et al.*, 2007b). Furthermore, it again highlights the importance of the committed and high quality businesses, who are often lifestyle operators.

One of the most valuable findings from the Yield Research is that many of the challenges tourism firms face arise from the low levels of owner-manager competencies. This was indicated by the business surveys and interviews which identified informal management practices, particularly in terms of finance, pricing and human resources (Ministry of Tourism *et al.*, 2007b).

This finding was empirically supported by the Financial Yield data, as there was high variance of yield within each sector. This points to business performance being more a function of individual management, rather than the sector as a whole. As a result, capability within the sector has become an important area of focus. As the NZTS 2015 specifies;

Better general management skills are particularly important. Many studies have shown that managers in New Zealand lack important skills, such as financial skills and the skills needed to compete in international markets. They cannot gain these skills on their own. Tourism is a competitive and demanding commercial environment and the sector needs to help them (Ministry of Tourism *et al.*, 2007a, p.31).

Business Assistance

Given the importance of the business performance to the tourism sector, the New Zealand Government offers assistance to tourism firms to help improve their performance. From a government perspective, various options exist for the provision of business assistance, including capital assistance, tax concessions, skills development and market intelligence. Tourism firms face a wide range of challenges, yet in addressing these challenges governmental assistance requires careful targeting while still remaining effective. Therefore, some forms of assistance may be more appropriate than others. An effective form of direct assistance for

tourism firms is in the form of upskilling the operators and their staff. Internal skill is the firm's greatest resource and investing in this resource allows businesses to be self-sufficient and adequately equipped to overcome difficulties faced. Indeed, as the Yield Research indicated, financial performance is not a function of its sectoral characteristics, but rather is reliant upon individual management.

The following section outlines the Ministry of Tourism's involvement in tourism firm performance, as directed by actions in the NZTS 2015. This involvement is either direct or indirect, where the Ministry leads the programme, or it contributes to a programme being delivered by another agency. This paper discusses these policy programmes, which are all aimed at upskilling operators and managers. These programmes are in addition to the work of other tourism organisations, which also play part in upskilling tourism businesses but are not covered in this paper. This includes the Tourism Industry Association's 'Tourism in Action', Tourism New Zealand's 'Give it 100%' and the range of private education institutions, such as Aviation, Tourism and Travel Training Organisation (ATTTO).

Ministry-led Projects

The Ministry of Tourism currently leads three projects related to tourism firm performance; the Management Capability Project, the Maori Tourism Facilitation Service, and Sustainable Tourism Advisors in Regions (STAR).

1. Management Capability Project - Queenstown Pilot

In recognition of the importance of management capability in the tourism sector, the Management Capability Project is being developed to enhance the management skills within businesses. The pilot, currently in its development stage, will establish a management mentoring and leadership programme for the tourism sector in the Queenstown region. Participation will be open to owner-operators and employees who are, or will be, in management positions. The project will cater to firms of any size.

This project is a shared outcome of both the New Zealand Skills Strategy and the NZTS 2015. The Skills Strategy, produced by the New Zealand Tripartite Forum, is an economy-wide strategy to build New Zealand's "skill base in order to maintain its international reputation and enhance its global competitiveness" (Skill New Zealand Tripartite Forum, 2008, p.4). Action One in the Strategy is to "partner firms with tertiary organisations and others to enhance management and leadership skills" (p.16). Tourism is one of the first such partnerships to be developed, through the Management Capability Project.

The project aims to develop and encourage the provision of management development programmes that more directly support firm-focussed needs and which lead to improvements in the utilisation, development and retention of skills at the firm level. Enhancement of firms' skill will also improve productivity and return on investment.

The Management Capability Project pilot will comprise three to four mentoring groups of approximately ten people. The groups will meet on a regular basis to discuss common issues faced by those in the sector. Following a stakeholder meeting, potential participants identified gaps in management and skills training in the region and a mentoring based project began to take shape. Initial discussions indicated that skills such as leadership, people management, emotional intelligence (EQ), conflict resolution and how to write a submission on a District Plan and other legislation were key to improving management capability in the region. Each session will be led by a mentor specifically trained for the purpose of this project, with extensive management and/or leadership training experience in tourism. Mentors will also be trained through the New Zealand Institute of Management and Business Mentors New Zealand. Queenstown Resort College has been identified as an appropriate facilitator to host and administer this pilot project.

Some specific elements make the Management Capability Project unique. Although aimed at improving general management skills, it is offered specifically to tourism firms. The project also recognises that while staff often have excellent operational skills and customer skills, other skills such as accounting, staff management and leadership are not as well developed. Tourism businesses also have a range of characteristics that discourage the uptake of existing training courses. These include seasonality, accommodating variable working hours and the diverse skill set needed often by one person. Delivery will be interactive and not a classroom-based format, in recognition that participants may not respond to more traditional learning methods. The project will instead be more of a forum approach, where problems and experiences are shared between participants. This format allows the content to be driven by the participants, ensuring their learning remains relevant to their business and situation. With Queenstown being the pilot of this project, it will be evaluated prior to being implemented in other regions.

2. Maori Tourism Facilitation Service (MTFS)

The NZTS 2015 identified Maori tourism as an important component of the tourism sector and one that sets New Zealand apart from the rest of the world. However, the *He Matai Tapoi Maori* Report identified several key issues facing Maori tourism businesses, including product development, access to finance, capacity building, marketing and access to research and information (The Stafford Group, 2001). To address these barriers, the NZTS 2015 identified several actions to grow Maori tourism involvement and capability, as well as a number of other aspects relating to Maori tourism (Table 1).

The Maori Tourism Facilitation Service (MFTS) is a mentoring programme specifically designed to build the capability of Maori tourism businesses. The Service was first piloted in 2005 and had 68 businesses participating. An evaluation of this pilot indicated that participants were satisfied with the MFTS in meeting their businesses' needs. The evaluation also found that the Service was achieving its overall project outcomes.

Table 1: Actions in the NZTS 2015 related to Maori Tourism

Ensure that the unique elements of Maori culture are reflected in the way New Zealand's brand is positioned internationally, and in national and regional product development.
Make sure that quality Maori tourism products and services are better integrated throughout the full range of wholesale and retail distribution channels.
Keep building business capability through the Maori Business Facilitation Service.
Increase the number of Maori tourism businesses involved in quality accreditation scheme such as Qualmark and Toi Iho.
Help tourism businesses to incorporate a Maori dimension into the products and services they provide.
Increase the range of Maori products and services being offered to the international and domestic markets.
Strengthen relationships between Regional Tourism Organisations and Maori Regional Tourism Organisations to maximise the development of a Maori tourism product that reinforces regional differentiation and meets visitor demand.
Streamline and improve the focus of existing business-assistance programmes to help operators increase their return on investment and develop quality products.
Understand and use the value of <i>Kaitiakitanga</i> (guardianship) as the basis for the tourism sector's actions to enhance the environment.
Build the capability of the i-SITE network to promote local culture, and build connections with the local tangata whenua and with the iconic landscape of each region.
Communicate and promote the concept of <i>Manaakitanga</i> and its importance in hosting both domestic and international visitors.

Mentoring has been identified as an effective form of assistance, as highlighted by the Yield Research (Wason *et al.*, 2007b). Feedback from several *hui* (meetings) held by the Associate Minister of Tourism in 2003 also identified mentoring as the mechanism which Maori tourism operators felt could best deliver an improvement in the quality of Maori tourism businesses. Given these findings, the MTFs will be re-launched and continue as a one-on-one, mentoring programme. The evaluation of the pilot also produced the following principles of success required for the new Service;

- Ensure participants understand each step in the intervention
- Keep it simple
- Develop achievable action plans
- Focus on quality at all times
- Create opportunities for participants' personal development.

The MTFs relies on targeting the appropriate businesses to participate, ensuring adequate reach to Maori tourism businesses throughout the country. The established networks of Maori Regional Tourism Organisations and the Maori Tourism Council are critical in achieving this. As the MTFs is intended for established businesses which have demonstrated their growth potential, businesses are evaluated for their suitability to the programme. The MTFs is not intended for start-up businesses, which are better suited to other Government programmes.

Starting in early 2009, participants will begin the MTFs by completing the Business Assessment Tool. This Tool was established by the Business Capability Partnership, a public/private partnership designed to improve business access to capability development services (New Zealand Business Assessment, 2008). The business

assessment will be followed up with the mentor's analysis and site visit, from which a Draft Business Development Plan will be drawn up and finalised. The plan contains strategic themes with three, six and twelve month goals. Evaluation will occur at these time intervals to monitor the business' progress against the set goals, making adjustments to the business' direction as necessary.

Being led by the Ministry of Tourism means the programme is tailored to the specific needs that tourism businesses have. But the programme also supports ongoing business development by facilitating access and participation in other government programmes and services. This requires working with other agencies to explore integration with their services where practicable. Delivery of the MTFs will occur during the low tourist season, allowing participants to fully engage in the programme without the business demands of the peak periods. The programme will also help businesses fulfil goals that are specific to tourism, such as achieving Qualmark endorsement, becoming 'export ready' where businesses can work offshore with Tourism New Zealand, and be listed in the Maori Tourism Trade Manual. This is in addition to general business management skills such as strategic planning, product development and market knowledge, which will ultimately improve product quality, increase returns on investment, business sustainability and Maori tourism's contribution to the industry and economy. Because the programme is specific to Maori tourism businesses, it is enhancing the overall Maori cultural tourism product New Zealand offers.

3. Sustainable Tourism Advisors in Regions (STAR)

STAR is a mentoring project which, although aimed at improving businesses' environmental performance, has indirect benefits in terms of overall management approaches.

Environmental sustainability is one of the four outcomes of the NZTS 2015, in that tourism "takes a leading role in protecting and enhancing New Zealand's environment" (Ministry of Tourism *et al.*, 2007a, p.6). This goal is critical; "the tourism sector needs to protect and enhance the environment on which it depends, so that it can continue to be enjoyed by future generations and future visitors" (Ministry of Tourism *et al.*, 2007a, p.42). As part of this, "operators need to adopt more sophisticated environmental management practices" (Ministry of Tourism *et al.*, 2007a, p.44). But as environmental management is presently a learning curve for the whole country, Government "needs to help operators work towards best practice in this area by providing advice that is easy to understand and implement" (Ministry of Tourism *et al.*, 2007a, p.45).

The STAR project is one way in which the Ministry of Tourism is addressing this need. Funding has been given to nine regions⁷ to employ an adviser who works one-on-one with tourism operators to help reduce their business' impact on the environment. With a local expert present in each region, the advice is designed to be simple, practical and achievable.

⁷ The nine regions to receive STAR funding over three years are Auckland, Central Otago, Coromandel, Hawke's Bay, Marlborough, North Canterbury, Queenstown, Wairarapa and Wellington. Funding for the first year is \$40,000 per region.

The STAR project is an evolution of the Sustainable Tourism Charter, which was piloted from 2004. An evaluation of the Charter showed that businesses improved their sustainable actions. Members now tell the story of their efforts to their visitors and other businesses, including their suppliers. In particular, participants found the Charter beneficial in terms of its holistic approach, encompassing good social and economic business practices, as well as environmental. With the STAR project operating in different regions to the Charter, the spread of sustainable tourism business practices is being maximised.

As with other assistance programmes, the STAR funding is focussed on enhancing operators' knowledge and capability. The objectives of the project are to;

- Provide tourism operators with clear advice and tools for improving their environmental performance
- Ensure operators monitor and improve their resource efficiency
- Help operators choose actions which they and their staff are proud of and can narrate a story about to their visitors
- Assist operators to improve their contribution to the local community through involvement in local community or conservation projects.
- Prove the value of sustainable advisory services to operators
- Encourage the uptake of Qualmark
- Help Qualmark licence holders meet the Responsible Tourism Operations criteria

Although the STAR Project is specifically intended to help sustainable business performance, it still influences an operators' overall approach to their business. For example, advisors encourage businesses to incorporate environmental performance into their mission statement and strategic plan and to develop a simple action plan. Yet for many operators, such documents are often out of date or simply do not exist. Therefore, the STAR Project indirectly assists businesses to improve their strategic planning and business management. The same applies in encouraging staff to carry out their environmental vision, which requires a 'company culture'. Furthermore, by helping businesses achieve Qualmark's Responsible Tourism endorsement, the project ensures that operators also have the general business strategies and plans in place to meet Qualmark certification requirements.

Improving a business' environmental performance will also reap rewards in terms of its market. Given the importance of delivering the '100% Pure' brand promise, businesses need to stay ahead of visitor demand for sustainable tourism products, as recognised by the NZTS 2015;

Opinions about and responses to environmental concerns, especially climate change, are developing all the time. Given our distance from key markets, the expectations raised by the 100% Pure New Zealand campaign, and the nature of our product, New Zealand's tourism sector needs to respond to environmental challenges visibly and promptly. This will help us gain competitive advantages internationally (Ministry of Tourism *et al.*, 2007a, p.43).

Visibly improving their environmental performance gives businesses a competitive advantage, appealing to the increasing number of environmentally conscious visitors. Keeping ahead of this demand is only beneficial for a business and New Zealand tourism.

Ministry of Tourism's contribution to other programmes

Tourism businesses are not entirely unique and they do share some common traits with other businesses. A number of assistance programmes are available to tourism businesses via other government agencies. In recognition of this, the Ministry of Tourism does not attempt to 'reinvent the wheel'. Rather, it leverages other programmes by using them to complement the more targeted, Ministry-led assistance.

One such programme offered by another organisation is the Enterprise Training Programme, funded by New Zealand Trade and Enterprise (NZTE). This programme, aimed at the owner-operators of small and medium enterprises, is delivered by specialist training providers throughout New Zealand. Regional economic development agencies (EDAs) or chambers of commerce bid for the programmes to be delivered in their region. The Enterprise Training Programme, in its general format, has three parts; a one-on-one needs assessment, group training (workshops, seminars and courses) and follow-up coaching (one-on-one). Skills by the programme include business planning, finance, managing resources and marketing.

While the Enterprise Training Programme offers valuable assistance to businesses of all types, ensuring tourism businesses' needs are adequately met is the role of the Ministry of Tourism. By working with NZTE, the Ministry is assessing the uptake of existing programmes that target business capability issues, to identify options to improve the participation of tourism businesses. Furthermore, opportunities to have greater focus on tourism's specific needs are also being assessed by a working group led by NZTE.

As part of the Enterprise Training Programme, regions can apply for tourism-specific workshops. These workshops, such as 'Tourism Fast Track', are designed and delivered by contractors. As they can vary by contractor and region, the content of these workshops is region-specific, as one of the goals of the Enterprise Training Programme is to work alongside the regional strategy. Over the next year, the Ministry of Tourism will provide input into the content of these seminars, ensuring that tourism-specific resources that currently exist, such as its research and statistics, sector guides to the NZTS 2015 and best practice environmental guides, are incorporated into the workshops' content.

Greater government-wide coordination is achieved from the Ministry of Tourism leveraging other programmes, while also ensuring they meet the specific needs of tourism businesses. As a result, the Ministry can focus efforts on specific needs of the industry, such as Maori tourism or environmental performance. This whole-of-government approach is important in achieving the best reach and quality of assistance, without duplicating the effort of different agencies.

Conclusion

Tourism is a dynamic and competitive sector to be operating in, and businesses are being continually challenged. Supporting tourism businesses, to ensure they can survive and prosper, is a key role of the Government. An effective way to do this is to invest in operators' capability. This equips the people in business with the skills necessary to overcome difficulties and grow to become high yielding and sustainable businesses.

Offering business assistance requires the right balance of a number of factors. As identified in the Yield Research, "business education programmes are ... always changing to some extent, to take account of new ways of thinking and doing which comes from research, practice and external pressures" (Wason, Sleeman & Simmons, 2007c). With the implementation of the NZTS 2015, such changes are apparent, with enhanced management capability, greater role of Maori in tourism and improved environmental management being goals of the sector. As a result, these areas are being incorporated into the Ministry of Tourism's programmes that assist tourism firms, namely the Management Capability Project, Maori Tourism Facilitation Service and the Sustainable Tourism Advisors in Regions. To complement these specialised projects, the Ministry also makes use of the valuable assistance being offered by other government agencies. These programmes can assist operators with issues that are common to all businesses types. This whole of government approach ensures tourism firms have the best support they need to become prosperous and increase their returns on investment. As recognised by the NZTS 2015, the success of New Zealand tourism ultimately depends on tourism businesses' performance. If they are successful, tourism will continue to grow, delivering significant benefits to businesses, their communities and the New Zealand economy as a whole.

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