

SMALL AND MEDIUM TOURISM ENTERPRISES

THE IDENTIFICATION OF GOOD PRACTICE



By John Breen, Sue Bergin-Seers, Leo Jago and Jack Carlsen

SUSTAINABLE
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Preface

It is now widely accepted by tourism industry personnel that small and medium enterprises (SMEs) make an important contribution to the industry and the Australian economy. The researchers and the Sustainable Tourism CRC considered it a high priority to gain a better understanding of the practices of successful small and medium tourism enterprises (SMTEs) in order to support the improved performance outcomes of SMTEs in general. The report is based on the analysis of the submissions of winners of 2001 State and Territory tourism awards. Interviews have also been conducted with the selected firms and the Executive Officers of some of the key industry associations to help verify the findings of the study.

The report concludes that this study is a starting point to encourage discussion and debate about what SMTEs need to help them undertake a continual improvement approach to business operation. In order to support businesses in achieving this goal it is also recommended that further work to develop both a diagnostic tool to be used for self-assessment by SMTEs and a databank of SMTE good practices be undertaken.

Summary

Background

The search for good practice has become important as firms recognise that in order to keep up with or become market leaders they need to look at the practices of good performers. Benchmarking has become synonymous with successful performance but much of the benchmarking literature is about large firms. Furthermore, most of the benchmarking studies have been applied to manufacturing industries with limited application among small firms in the tourism industry.

The Sustainable Tourism CRC has recognised the lack of data on what constitutes good practice in small and medium sized tourism enterprises (SMTEs) and has funded this study in an effort to address this gap.

A team of researchers from Victoria and Curtin Universities has come together to undertake a study to identify good management practices in SMTEs drawing on the data collected in the 2001 Australian Tourism Awards.

Research Objectives

The key research questions of the study, which are stated in Chapter 1 of this report, may be summarised as follows:

- What good management practices do ‘award-winning’ SMTEs commonly demonstrate?
- Do the practices employed by these firms vary according to the different business demographics?
- What are the differences in the practices employed by the firms that demonstrated more frequently the presence of key success factors compared to the firms that demonstrated these factors less frequently or hardly at all?

It should be noted that this project is a pilot study, which attempts to explore an area where little practical research has been undertaken previously. For this reason it provides preliminary information and in doing so identifies areas for further research.

Definition of SMTEs

The definition of an SMTE, as used in this study, is:

Small and medium tourism enterprises comprise all businesses, which by their own definition, operate in the tourism industry and employ up to 100 employees and include sole operators not employing any staff. Specifically, micro businesses are those that employ between one and four workers, small businesses employ between five and 19 employees and medium businesses employ between 20 and 100 employees.

As this study drew on data from the Australian Tourism Awards, the definition of tourism sectors was defined by the 28 categories established for this purpose. Of these, nine categories were selected for research because it was identified from the complete list of 2001 award winners that there was a high number of SMTEs in these sectors. These categories included Aboriginal and Torres Strait Islander tourism; environmental tourism, tourist and caravan parks; tourism wineries; meeting industries; tour and transport operators; tourism restaurants; accommodation (3½ to 4 ½ stars); and accommodation (up to 3 stars).

Scope of the Report

In order to communicate the findings of this study, the report has been designed to encompass the following:

- **Benchmarking Overview:** summarises relevant benchmarking studies and highlights the scarcity of information about SMTEs;
- **Discussion of Literature and Expert Views:** discusses the difference between the terms good practice and best practice, methods for identifying these and the reason for focusing on particular management practices;
- **Methodology:** describes the process of identifying good management practices among award winning SMTEs;
- **Findings:** discusses the good practices identified by analysing the factors that rated highly by most firms according to the business demographics and according to the three management dimensions that stood out as being the most commonly practiced;
- **Good Practice Firms:** comparisons are made between the firms that demonstrated extensively a number of good management practices and the firms that had little evidence of the employment of these practices in order to identify areas of importance;
- **Case Studies of Good Practice Firms:** provides an overview of the three firms that rated highly across the management areas in an effort to present a big picture view of the drivers of successful firms;
- **Conclusion:** summarises the key finding and issues arising from the study.

Key Findings

The criteria, which were developed because of their impact on performance improvement (based on the Baldrige National Quality Awards and the Australian Tourism Awards), were explored in each submission. In the first analysis of the submissions a number of practices were identified within each criterion and were defined as potential good practices. Although the firms were usually able to demonstrate how they met each of the management criteria, as set out in the submissions, the extent to which they applied the criteria varied. Those practices that stood out because they were employed most frequently and to a greater extent by the successful firms were considered to be the better of these practices and were defined as good practice. The good practices demonstrated by the award winning firms included three management criteria - marketing knowledge and activities; networking and relationship management; and quality and customer focus.

Marketing Knowledge & Activities

The good practices in the area of marketing identified in this study include understanding and modifying target markets; use of other publications for advertising, and making use of visitor tracking systems and information management systems.

These practices show that the operators have extensive knowledge of their target markets, which is obtained through secondary research and face-to-face contact. They then use this knowledge to attract new customers and to encourage loyalty from regular customers. Information technology is used to store information and to track customers to assist with the goal of developing good customer relationships. Finally, the SMTEs make effective use of every opportunity to promote their business – either through publications, or pro-active encouragement of tours to their site and/or the Internet.

Quality & Customer Focus

The good practices in quality and customer service focus on making use of customer feedback; active pursuit of industry knowledge; direct provision of special needs for customers; use of industry accreditation and tourism awards to promote the business; and continual development of new products, services or facilities.

It seems that, in order to achieve business success, these operators understand all aspects of the business and have a big picture view of where the business has come from and where it is going. The strategies employed by the SMTEs have a strong focus on making use of customer feedback in order to redefine the firm's vision and to create added value for the customer. Of equal importance is the active pursuit of industry knowledge to understand the market and to keep ahead of competition. This is achieved in a number of ways and in particular through the attainment and maintenance of industry accreditation.

Networking & Relationship Management

Networking and relationship management practices include collaboration with state and local tourism agencies for familiarisation tours; regular contact with local government Visitor Information Services for information distribution and resource gathering; cooperation with the local shire to develop proposals and to raise funds to develop local amenities and infrastructure for tourism development; free or discounted tours to residents and clubs; joint ventures with other businesses to provide special packages for customers (tour and dining, tour and accommodation or tour and arts experiences); and joint marketing promotions with other businesses (joint brochures, advertising campaigns and customer discount cards).

Good business operators have extensive networks, both fluid and on-going. These networks are based on sound personal and professional relationships so as to get access to support and information, and to have some influence over decisions, which could affect business. SMTEs often must contend with the same problems and decisions as big companies, but without the advantage of expert personnel and with fewer resources. The ability of an SMTE to scan information differs from that of a large company who have co-workers available for this task whereas in an SME the entrepreneur must obtain the relevant information himself, largely through establishing good networks and relationships.

Demographic Comparisons

The findings in relation to the three demographic characteristics of size, business structure and location are limited but they provide some direction for further research.

Size

There were some differences between micro-businesses and small firms. Only a few micro firms rated highly the use of information systems, visitor tracking, modifying business practice from market research, in-house training, conducting formal familiarisations, use of financial targets and recognition of profit drivers. These

differences could be explained by the lack of resources in the micro businesses. However, the lack of resources often forces smaller firms to be more innovative and seek solutions in different ways to other businesses.

Business Structure

More 'for profit' businesses achieve their goals through networking and develop new products / services than 'not for profit' businesses. On the other hand, more 'not for profit' firms make good use of their own publications; and (surprisingly) recognise profit drivers than 'for profit' businesses. This could be due to the fact that most of the 'not for profit' firms are either franchised type businesses, such as YHA, YWCA or belong to the local community (e.g. ATSI firms) or are government established and as a result tend to get a lot of outside support from the YHA/YWCA group, government or local experts.

Location

Metropolitan businesses demonstrated more of the managerial factors to a greater extent than the rural businesses. However, more rural businesses than metropolitan firms rated highly on - achieving goals through networking and developing relationships with the community or regional groups. These results are not surprising - the building of relationships outside your own business could be seen as more important in the rural areas due to issues related to isolation and lack of resources.

Good Practice Firms

The greatest differences between averages for the firms that demonstrated extensive use of the good practices (i.e. good practice firms) and those that did not were in the areas of Quality and Customer Focus and Training and Development (as a sub-section of Human Resources). There were also substantial differences in Marketing and Human Resources (overall). It is interesting to note that all three firms with the highest ratings have documented HR policies and procedures, which is something that SMEs generally do not normally possess.

The only area where both groups of firms were rated at similar levels was Networking and Relationship Management, which generally seemed to be important to all SMTEs in this study.

Conclusions

This report identifies good management practices, as demonstrated by award winning businesses, which could be pointers to better business results for SMTEs. Analysis of the case studies provided in Chapter 6 of this report offer strong evidence that the operator/manager is a key driving force in the success of these businesses. In all cases, the operator/managers had established very clear goals for improvement as well as practical ways of measuring progress. They had also driven the documentation of policies and procedures and were responsible for establishing a collaborative team approach to running the business.

The owner/managers of these businesses also expended a great deal of time and resources on training and multi-skilling their staff to ensure that rosters operated smoothly and to empower staff to carry out a variety of tasks as required. This increased the chances of meeting the customer's needs.

Furthermore, the better firms had all obtained industry accreditation, knew their competitors well, and were extremely active in their industry.

The study highlights that quality is not a separate aspect of a business but instead encompasses criteria including leadership, policy and strategy, customer focus, information and analysis, human resource focus, process management and business results.

Transferability

Despite the benefits that the identification of such factors may have in helping less successful businesses better understand their own operations, this study has its limitations in relation to the transfer of these good practices to other businesses, for example:

- This study does not identify the means to undertake benchmarking and does not explain how to use the good practices.
- The practices highlighted in this study may not be applicable to every business, but nevertheless have been identified as good practices.
- These good practices are also only partial measures and do not capture the overall business performance.

Instead, this study of good practices is intended to help SMTEs review their own businesses, to encourage reflection and a study of their own performance gaps. It is also hoped that it will spark ideas for innovation and improvement in individual businesses. Practices evolve over time as businesses respond to their dynamic environment. This study is a starting point to encourage discussion and debate about what SMTEs need to help them to undertake a continual improvement approach to business operation.

Chapter 1

Benchmarking Overview

This section contains an overview of the concept of benchmarking, the lack of focus on small and medium enterprises and the scarcity of data particularly in relation to the tourism industry. The rationale for this study relates to the need for further benchmarking work with small and medium tourism enterprises (SMTEs) as a means of helping operators improve business performance.

Introduction

In recent years, extensive research has been carried out on the topic of benchmarking. This work has focused largely on the characteristics of successful large corporations in the manufacturing sectors in order to identify best practice for others to emulate. Firms such as Xerox, Royal Mail, Boeing, Motorola, Hewlett-Packard, Ford and General Motors (Zairi & Youssef 1995) are often held up as best practice operations. The search for best practice has become important as firms recognise that in order to keep up with or become market leaders; they need to look at the practices of good performers. Benchmarking has become synonymous with successful performance. The benefits of benchmarking (or comparisons against best practice) include:

- identification of improved ways to meet customer needs,
- cost-effective collection of innovative ideas,
- identification of the organisation's strengths and weaknesses,
- encouragement of continuous improvement processes.

[Smith cited in \ Kozak & Rimmington 1998, p. 185]

Much of the benchmarking literature is about large firms with little information available in relation to small firms despite their significance to global economies (Monkhouse 1995; Cassell, Nadin & Gray 2001). Furthermore, most of the benchmarking studies have been applied to manufacturing industries with limited application among small firms in the tourism industry. The majority of past tourism studies have focused on finance, investment and the application of technology (Kozak & Rimmington 1998). They have also frequently involved hotel operations or applications in food and beverage management (Fuchs & Weiermair 2001).

When considering the Australian tourism industry it is important to understand that it is predominantly made up of small businesses employing fewer than 20 workers. Over 88 per cent of businesses in the accommodation, cafes and restaurants sector and over 96 per cent of businesses in the cultural and recreational service sector are small businesses (Department of Industry Science and Tourism 2002). If medium businesses, that is, those employing between 20 and 100 employees, are added to these figures then the contribution that small and medium tourism enterprises (SMTEs) make to the tourism industry is substantial.

Whilst all businesses are affected by environmental problems, SMTEs in the tourism sector seem to experience change that is more volatile than for most other industries. The risks in the tourism industry are different due to seasonality issues and the strong impact of external factors (e.g. airline strikes and the September 11 incident). The fickleness of the market is an issue and its sensitivity to economic conditions is also seen to be a difficulty. The exit rate of businesses operating in the accommodation, cafes and restaurants sector, for example, was the second highest for the periods 1994-1995 to 1998-99. This high exit rate and lack of understanding about what drives a successful SMTE is of concern to the industry.

Purpose of the Study

The specific purpose of this Sustainable Tourism CRC study is to determine the practices that may possibly drive the success of SMTEs. Information regarding the important elements of good practice and the strategies used to perform well in these areas is crucial to improve the standard of performance of businesses in the industry as well as to set performance guidelines for people considering entering the industry.

Driven by concerns in relation to high exit rates, government and tourism industry leaders are looking to institute accreditation schemes and benchmarking programs. In an attempt to recognise successful firms and their contribution to tourism, the industry operates the Australian Tourism Awards, which is open to all tourism operators across all eight states and territories. The awards operate on an annual basis and are widely recognised as the premier award for excellence in the industry. Consequently, the data gathered as part of the submission and judging process provides an opportunity to learn more about good practices in the tourism sector.

This pilot study draws on data from Australian Tourism Award winners. It should be noted that the study does not address every aspect of a business but instead is a comparative analysis of data from a pool of award winners and is the first data-gathering stage of the benchmarking process. As found in a previous study (Bergin-Seers, Jago & Deery 2000), Competitive Comparison Analysis (CCA) is something that third parties undertake

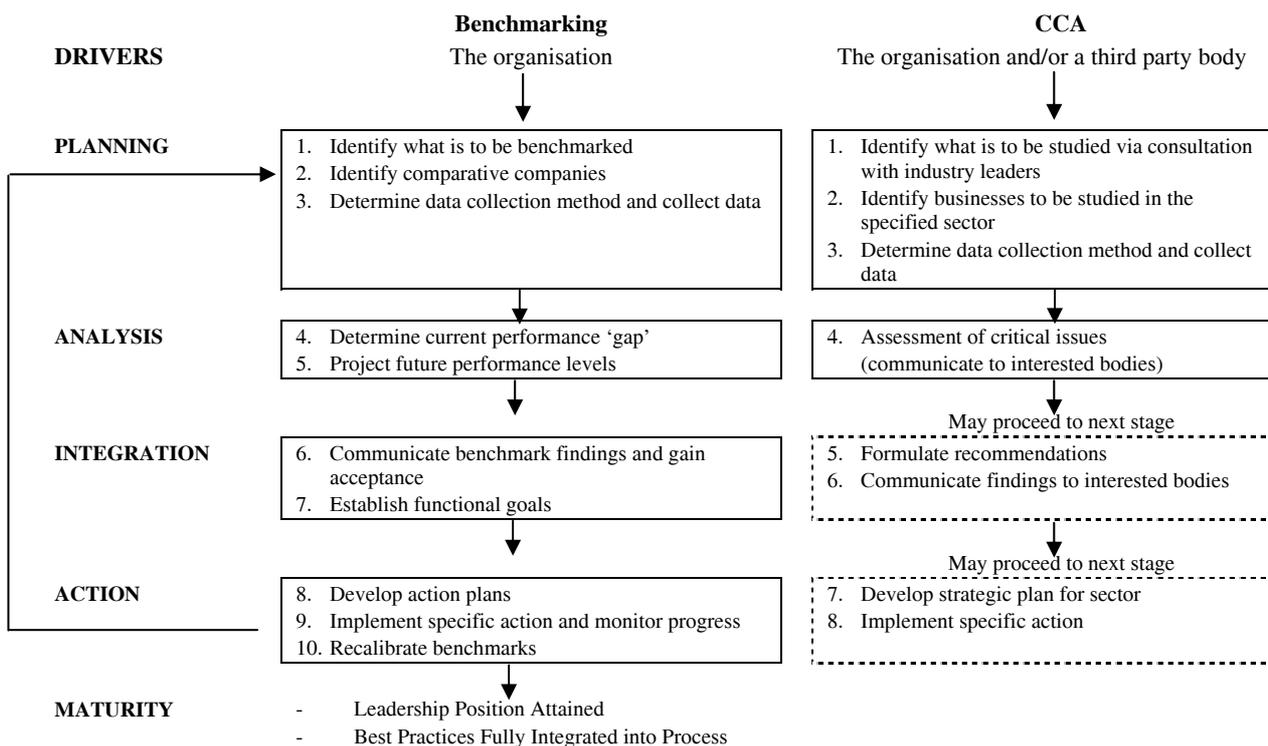
to help explore good practices across a number of businesses. Although it is understood that CCA, as illustrated in Figure 1, is not as powerful a tool as benchmarking, it is intended that the study will provide information to help SMTEs begin the gap identification in their own operations. In summary, the work undertaken in this study covers steps 1 to 6 as illustrated under the CCA heading in Figure 1. Individual SMTEs will need to undertake the benchmarking process independently (steps 1 to 10 under the benchmarking heading in Figure 1).

In the past, it has been difficult to access business information for benchmarking purposes, as it often involves sensitive aspects of an operation (Wober 2002). To address this concern, the data set for this study involved award submissions that were judged to be finalists in the Australian Tourism Awards by the then Tourism Council of Australia and its State-based counterparts. The idea that the award finalists would be good sources for the identification of good practice is supported by previous research. Jarrar and Zairi (2000, p.734), who are well recognised for their work in the field of benchmarking, describe best practices as ‘those practices that have been shown to produce superior results; selected by a systematic process; and judged as exemplary, good or successfully demonstrated’.

Additionally, Crick and Jones (1999), Zairi and Whymark (2000) and Abraham, Fisher and Crawford (1997) have all drawn on award winning businesses as sources of good practice for benchmarking or improvement purposes. The fact that finalists for the Australian national tourism awards had all entered comprehensive submissions detailing their performance in a wide range of areas meant that there was an objective and comparable base that could be used to assess good practice.

In the Australian Tourism Awards there are 28 award categories. Of these, nine categories were selected for this study because it was identified from the complete list of 2001 award winners that there was a high number of SMTEs in these sectors. These categories included Aboriginal and Torres Strait Islander tourism; environmental tourism, tourist and caravan parks; tourism wineries; meeting industries; tour and transport operators; tourism restaurants; accommodation (3½ to 4 ½ stars); and accommodation (up to 3 stars).

Figure 1: A comparison of benchmarking and competitive comparative analysis (CCA)



Source: Camp model (1989) reproduced in Ahmed & Rafiq (1998) adapted by Bergin-Seers, Jago & Deery (2000)

Each award submission contains detailed information about the business for the year leading up to the awards. These in-depth descriptions of the businesses are provided according to the following criteria:

- Business Overview (e.g. business goals and strategies, outcomes against goals);
- Business Success (e.g. growth, evidence of growth);
- Markets (e.g. major marketing activities, results of marketing activities);
- Contribution to Tourism (e.g. level of cooperation with local and state tourism authorities)
- Staff Development (e.g. staff development programs conducted); and
- Quality Standards and Customer Service (e.g. how continual improvement is ensured).

Research Focus

Although the identification of possible managerial factors relevant to SMTE success is useful, it does not provide a means of identifying good practice in this area. Analysis of the literature was undertaken to explore how others had tackled this subject. A total of 21 different studies were identified using EInet – Database and E-journal access (particularly Emerald and ABI-Inform Global). These studies have attempted to identify good/best practice and spanned the years 1987-2002. A list of these studies is contained in Appendix A setting out the field in which the studies were conducted, the methods used and the limitations of each approach.

The literature analysis raised a number of issues:

1. Only five of the studies were tourism related and only eight involved small or medium businesses. Only one study was across both areas.
2. There was great variation in the methods used. The methods included mail out or student administered questionnaires to various sized samples (using a variety of approaches including open ended questions and rating scales), case studies of a small number of firms (two were reviews of past studies - case files, journalist interviews), targeted interviews and field studies involving SWOT analysis and observations.
3. It was not clear whether these studies were actually measuring the same thing because of variation in the use of terminology. Terms used included critical success factors, good performance, benchmarks, growth drivers, contextual factors, common factors for success, indicators of success, profiles of high performing companies and successful management practices.
4. Success was measured in a number of different ways. Success was measured by survival, owner satisfaction, financial performance (e.g. profitability, increased turnover, sales, profits compared to amount of assets invested), winning an award and the level of performance equalling or exceeding owner's perceptions.
5. There were a number of limitations with these studies, some of which were stated whilst others were not. For example, there was a lack of detail about the definition of the following terms - best practice, SMEs, and success. The methodology used was either limited or not clearly explained (i.e. how success factors were identified, the type of analysis used, small size of sample, included only large businesses).

One of the key aims of this literature review was to explore ways in which good practice could be identified for SMTEs. Although studies in tourism were limited, the methods employed by Gadenne (1997); Mann, Adebajo and Kehoe (1999); Merrilees and Miller (1996); Yeh-Yun Lin (1998) and Luk (1996) provided useful models. As the literature search was not able to provide a framework for a study of good practice in SMTEs it was considered important to adapt some of the above methodologies for this purpose.

As a result of these findings a methodology was developed in this study (as outlined in the following section), to provide a good practice identification framework.

The research has focused on over 20 award winning SMTEs operating in metropolitan and rural areas of Australia. An analysis of the business practices used to improve performance was undertaken to determine good practice¹ within the industry.

In order to identify the good management practices of these firms it was necessary to develop a method for analysing the award submission data. Aspects of award winners' management practices were analysed according to key performance dimensions based on business excellence models to determine which ones might exemplify good practice for benchmarking purposes. Matrices were used to firstly help organise the data and secondly to provide a structure for rating the practices.

The research team specified that the study should focus on three key questions:

- What good practices do 'award-winning' businesses commonly demonstrate?
- Do the practices employed by these firms vary according to the different business demographics?
- What are the differences in the practices employed by the highest rated firms compared to the lowest rated firms?

This report begins with a discussion of best practice versus good practice, what it means, and the problems associated with its identification. The management factors of businesses as a means of describing and isolating good practice are explored along with the search for factors relevant to SMTEs. Then, a study of the submissions of 23 'award-winning' SMTEs is undertaken as a means of identifying good practice and is presented in a way so as to provide examples for other SMTEs. Finally, three case studies of the better businesses are presented in order to provide a big picture view of how these firms operate successfully.

¹ In this study a 'practice' refers to a managerial practice. Justification for this focus is described in Chapter 2 of this report.

Limitations

This study is a pilot study, which attempts to find a way to gather data about how good businesses operate in the tourism sector. The purpose is to share the knowledge gained with the industry in an attempt to encourage benchmarking within SMTEs. As it is a pilot study it has some limitations.

Although better businesses may be more prone to enter awards, there are also many good businesses that do not enter such competitions, which means that the pool of winners is not necessarily representative of the best businesses in the industry. Additionally, the submissions are written with the sole purpose of winning an award and, therefore, it is likely that entrants will portray their business in the most positive light and ignore the negative aspects of their operations. Furthermore, the study draws on a small sample of award winning SMTEs.

Chapter 2

Methodology

The process of identifying good management practices among SMTEs is described in this section and is illustrated in Figure 2.

The methodology included - a literature search of benchmarking research to narrow the area of study; collection of award submissions; selection and verification of the management factors relevant to SMTEs; good practice identification and verification using the matrix template; and dissemination of the information to industry.

Stage 1 – Literature Search

Investigation of Benchmarking Data on SMTEs

The identification of benchmarking data was accomplished by drawing on data previously gathered by the Small Business Research Unit at Victoria University. Previous work in this area has found that:

- Very little benchmarking data is available about SMEs in general and even less regarding SMTEs.
- Accessing existing business data through well-known research agencies such as the Australian Bureau of Statistics is a difficult, drawn-out and generally unsuccessful process.
- Obtaining business performance data directly from firms via a survey method is often difficult and not always reliable.
- Extensive knowledge about impediments to development, successful practices and problems with effective benchmarking in the industry has been developed through various projects. Details of these studies have been published (Bergin-Seers, Jago & Deery 2000; Bergin-Seers, 2001; Sims, Breen & Ali 2001).

Stage 2 – Award Data Collection

Organising Access to Award Data

As already mentioned, the firms to be studied in this project were drawn from the finalists of the National Australian Tourism Awards. Award organisers from each state and territory were contacted to enlist their support, as they were important agents for accessing award data. As a result all organisers provided the contact details of their award winners for the 2001 Australian Tourism Awards.

Nine categories were selected from the 28 National Award categories. The selection was based on the prevalence of small businesses in these sectors. Within these nine categories there were 47 award winners from across the Australian states and territories. These businesses were contacted and invited to be involved in the study. Of these, 29 initially agreed to be involved. Ultimately, 23 provided their award submissions for analysis and agreed to a further follow up interview.

Stage 3 – Selection & Verification of Management Factors

Identification of Factors

The identification of management factors was accomplished by gathering data from literature searches (see Chapter 3), analysing of the Australian Tourism Award criteria, and from interviews with key personnel such as business experts and award judges.

Figure 2: Methodology used to identify the good management practice study

Methodology	Outcome
Stage 1 – Literature Search	
Investigation of benchmarking / best practice and business performance literature	Compilation of generic business factors
Stage 2 – Award Data Collection	
Organise access to award data via state tourism agencies	23 award submissions collected
Stage 3 – Selection and Verification of Management Factors	
Consider literature and tourism award criteria	Refinement of SMTE management success factors
Interviews with business experts	Further refinement of SMTE management
Stage 4 – Good Practice Identification and Verification	
Read & summarise award submissions	Development of rating matrix
Discussion and verification by team	Rating matrix refined
Analysis framework developed. Individual submissions rated independently using the matrix. Mean values compared	Good management practice for SMTEs identified
Consultation with industry experts	Findings modified on the basis of industry feedback
Stage 5 – Information Dissemination	
Findings summarised	Information disseminated to industry

Expert Interviews

To better understand the management practice factors identified in the literature and to ascertain how they linked or led to improved performance in SMTEs, in-depth interviews with several business experts were conducted. The outcomes are discussed in Chapter 3. The experts were selected because of their extensive experience in working with SMEs as financial advisors, venture capitalists, business consultants and accountants.

During the interviews, the experts were firstly asked a number of open-ended questions and then were presented with a list of managerial factors for ranking by importance (using a five point Likert Scale, where one represented ‘very important’ and five ‘not at all important’).

After analysis of this data the management practices were selected as the focus of the study. The final managerial factor list is set out in Table 2.

Stage 4 – Good Practice Identification & Verification

Summarising the Award Submissions Using a Matrix Format

A matrix format, which is illustrated in Table 1, was selected for two reasons, firstly, as a manageable means of organising the extensive data contained in the award submissions and secondly, as a way of measuring and comparing the practices of each business against the criteria (that is, the managerial factor list in Table 2).

Table 1: Matrix format

CRITERIA	Business A
Marketing Knowledge & Activities	
a) Advertising - print, radio, TV	Local and national newspapers; business details included in Govt. departmental circulars and post conference reports; business magazines; information pamphlets placed in associated hotels and tourist venues, via event organisers.
b) Market research	Key markets identified and include - the federal and local govt depts; the corporate sector; the entertainment industry and the tourist/vacationing market; these markets are accessed via the local, regional and national marketing arms of the tourist industry.
c) Visitor tracking (incl. conversion rates - inquiries to visits and/or bookings)	A booking system has been a useful tool in measuring return patronage and marketing success.
d) Direct marketing through a database, telemarketing	Customers are not sourced via telemarketing activities but are contacted for the purposes of follow up communication after their stay; have a customer database.

Table 2: Good practices relating to the performance of SMTEs

CRITERIA	MANAGERIAL FACTOR LIST
Strategic Planning	<ul style="list-style-type: none"> ● Formal business and marketing plan ● Established clear goals ● Frequency of revisiting the plan ● Exit/succession/disposition plan ● Good record system to track performance (not just financial)
Financial Management	<ul style="list-style-type: none"> ● Good financial skills / knowledge: <ul style="list-style-type: none"> – Record-keeping – Cash-flow projections – Budgeting – Awareness of costs ● Access to finance ● Use financial targets to assist in assessing business performance ● Understanding how business strategy links to financial outcomes (recognition of profit/productivity drivers)
Market Knowledge /Marketing Activities	<ul style="list-style-type: none"> ● Market knowledge (previous experience in the industry) ● Strategic positioning: <ul style="list-style-type: none"> – A defined position in the market – Level of passion about the market segment (are there others more worthwhile) – Closeness to the customer ● Market research ● Visitor tracking ● Relationship building: <ul style="list-style-type: none"> – Database management ● Marketing monitoring: <ul style="list-style-type: none"> – Conversion rates (inquiries to visits) ● Constant re-defining of market

CRITERIA	MANAGERIAL FACTOR LIST
Human Resource Management	<ul style="list-style-type: none"> • Good employee relationships • Previous management experience • Recruitment and selection processes • Staff training • Reward system (remuneration & promotion) • Performance appraisal system • HR policy (include EEO and OHS)
Quality and Customer Focus	<ul style="list-style-type: none"> • Passion about quality • Aware of industry standards • Industry accredited • Cares about customer satisfaction • Continual improvement processes in place: <ul style="list-style-type: none"> – Constant review – Feedback loops in place – Know customers needs – Add value to service – Focus on repeat business – Measure service quality – Innovate to meet customers needs – New product/service development – Use of technology – Preventative maintenance schedules
Use of External Assistance (or Relationship Management)	<ul style="list-style-type: none"> • Use of an advisory panel • Networking • Use of consultants • Use of accountants • Informal and formal links or alliances with other firms • Use of government assistance • Informal support from family or friends • Membership of / interaction with industry associations • Membership of / interaction with community associations • Links with training providers
Leadership / management**	<ul style="list-style-type: none"> • Quality of leadership: <ul style="list-style-type: none"> – Defining and sharing knowledge, vision and goals – Passion – Opportunity seeking • Ownership/management structure • Quality of management: <ul style="list-style-type: none"> – Experience – Established relationships – Knowing competition – Knowing the drivers of the business – Ability to gather resource as required – Innovation/creativity

***The Leadership and Management characteristics were not considered in this study largely because they were not be addressed in the award submissions.*

Two researchers independently read and summarised each award submission describing how the businesses addressed each item using the matrix headings and subheadings (criteria) as a guide. After all of the award submissions had been summarised, the two researchers then compared the summaries for differences and after discussion and verification agreed on the data summary for each business.

Rating & Analysis of the Data

A ratings system was used to compare and analyse the submission data, which at this point was in the summarised matrix form as described above.

A series of key questions was formulated under each of the criteria in such a way that the data for each business could be compared using a 5-point Likert Scale. The scale indicated extent of the application of the criteria where one represented 'poorly applied' and five represented 'full application without gaps in any area'.

For example, most questions began with ‘To what extent does the business make use of ...’. A rating of either “NA” (not applicable) or “NE” (not evident) was also included as alternative answers for each question and were treated as equivalent to zero on the rating scale.

A minimum of two researchers worked with each submission and independently rated each business. After all of the businesses had been rated, the two researchers then compared the ratings for each question for differences and after discussion and verification agreed on a final rating for each business against each of the management practices.

A table was developed from the matrix, which summarised the final ratings for each business (see Table 3). This table used the key questions as new headings and the 23 individual businesses as column headings.

Table 3: Example of the measurement tool developed from the matrix

Market Knowledge & Activities	Business A	Business B	Business C	Business
To what extent do you monitor conversion rates?	4	3	NE	1
To what extent do you use systems to maintain current market data?	3	4	3	2
To what extent do you employ activities to track customers?	3	5	NE	NE
To what extent...	4	4	2	3

Frequencies and averages were then calculated to summarise the ratings for each firm so that individual practices and businesses could be compared. Using this method practices that rated highly in relation to frequencies and averages were considered to be examples of good management practice. For example, factors where 50% or more of the businesses scored a rating of four or five were selected as good practices and were examined closely in order to identify the strategies utilised by the firms in these areas. These practices are explained in detail in the following section of this report.

Consultation with Industry

A number of interviews were conducted with key personnel from tourism industry associations, such as Victorian Tourism Operators Association (VTOA), Meetings Industry Association of Australia (MIAA) and Restaurant and Catering Association (RCA) in order to gather their views about the findings of this study. It was intended that interviews would clarify whether the good practices identified in this study were those considered important to the success of SMTEs.

Stage 5 – Information Dissemination

Information Dissemination

A Summary Sheet and this technical report will be available to interested stakeholders from the STCRC online bookshop [www.crctourism.com.au/bookshop].

Chapter 3

Discussion of Literature & Expert Views

This section identifies the relevant research undertaken in relation to the concepts of good practice and best practice and why good practice is the preferred term. Additionally, the literature concerning success factors and business performance measurement stresses the importance of management practices and verifies the selection of these practices as the focus of this study. The management practice categories selected after consultation with industry experts include networking and relationship management, marketing knowledge and activities, quality and customer focus, human resource management, strategic planning and financial management.

A further literature review highlights the lack of research in identifying such practices in SMTEs and the need to develop a clear methodology for this purpose.

Good Practice versus Best Practice

In striving for continuous improvement, firms need to learn from practices that are viewed as being better than their own, however, the search for and identification of practices that can be used as 'benchmarks' for comparison is a difficult task. A major problem with the benchmarking process is knowing what is good or best practice. Best practice has been defined in a number of ways. Camp (1989) defines best practices as those practices 'that will lead to the superior performance of a company'. Heibeler (1998) describes 'best practice' as the best way to perform a business process. The most appropriate explanation for this study has been developed by Jarrar and Zairi (2000). They use a multi level definition as follows:

1. A *good idea* is unproven, as it has not yet been substantiated by data, however it makes sense intuitively. The idea could have a positive impact on business performance, but requires further review/analysis and if it was substantiated by data, it could be worthwhile implementing in a business.
2. A *good practice* is a technique, methodology, procedure, or process that has been implemented and has improved the business performance of an organisation. The practice is substantiated by data collected by the business.
3. '*Proven*' best practice is a good practice that has been determined to be the best approach for many businesses or organisations and is founded on the analysis of process performance data (Jarrar & Zairi 2000).

It is acknowledged that there is "no single best practice because best is not best for everyone, what is meant by best are those practices that have been shown to produce superior results; selected by systematic process; and judged as exemplary, good, or successfully demonstrated" (Jarrar, 2000). Furthermore, Jarrar and Zairi (2000) emphasise that 'best' is not a constant but rather a moving target, which is situation-specific. For these reasons, the term 'best practice' is an inappropriate expression as the definition of best is complex and fraught with problems. 'Best' is too subjective and is constantly changing; what was the best yesterday may not be the best today. Therefore, this report focuses on how to identify 'good practice' rather than best practice.

Performance Measurement of SMEs

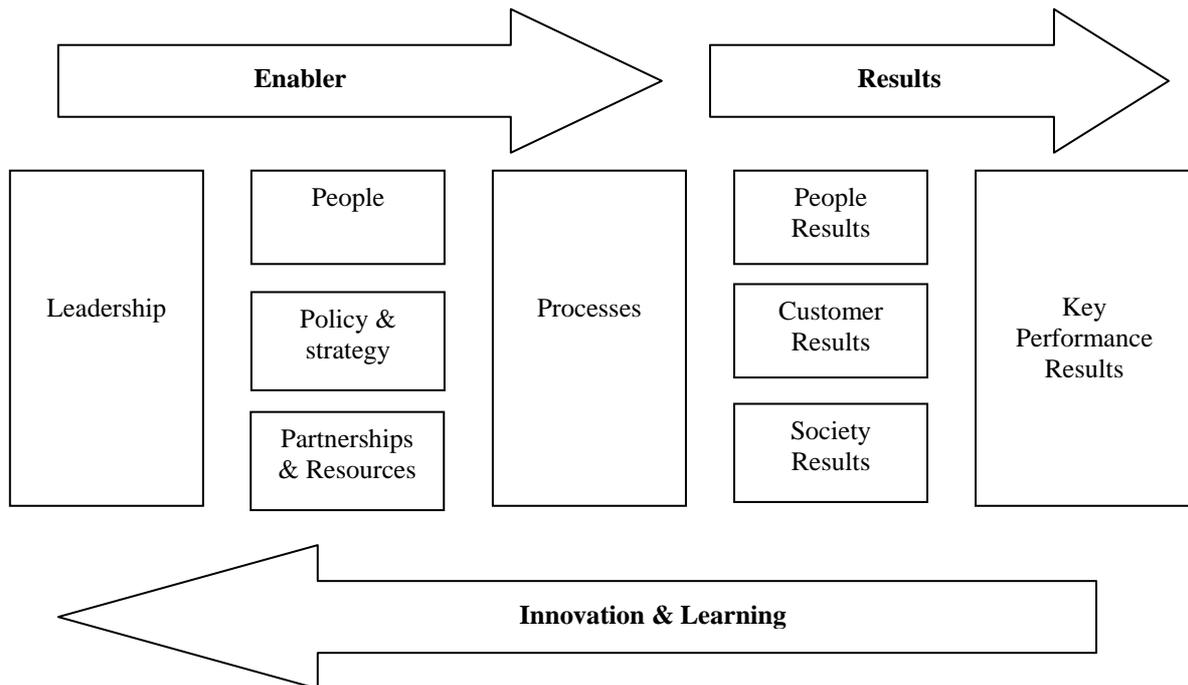
There is a growing focus on the importance and relationship between business excellence, benchmarking and performance measurement. Recent advances in business excellence and benchmarking have had an impact on the performance measurement systems used today. The use of dominant financial (or backward-looking indicators) and a focus on short-term goals are considered to be outdated measurement systems (Welch & Mann, 2001). It is considered important that the focus be on achieving a balanced framework that addresses operational issues including financials, management factors and strategic planning. According to Geanuracos (1994, p. 8) 'reliance on financial measures alone often undermines the strategies the company must pursue to survive long-term. Today's smart firms are searching for ways to incorporate into their regular performance evaluation non-financial measures such as quality, market share, customer satisfaction, human resources, innovation and learning.'

Recent research has found that SMEs, unlike large firms, do not necessarily need to benchmark against 'hard' indicators such as financial performance and customer satisfaction. Instead a focus on the 'softer' measures related to human resources may be more relevant and effective for SMEs given their importance (Cassell, Nadin & Gray 2001). Based on this information, a decision was made to focus on managerial factors in this study.

Identification of Relevant Managerial Factors

In order to study the management practices of SMTEs as areas of good practice the range of factors encompassed needed to be identified. To do this, an analysis of small business research and business award criteria was undertaken. Together with a working knowledge of the tourism industry this guided the identification of key components of business performance specific to SMTEs. The most appropriate model found was in the business excellence literature. A number of models have emerged from this field and include the European Foundation for Quality Management (EFQM) illustrated in Figure 3 and Malcolm Baldrige Award models (Welch & Mann 2001)

Figure 3: The EFQM SME model



Based on these models the management factors, which are central to this study and which are relevant to SMEs involved in the Australian Tourism Awards were refined as shown in Table 2. It should be noted that the leadership and management characteristics were not considered in this study largely because they were not be addressed in the award submissions.

Expert Input

Interviews were conducted with business experts to gain a better understanding of the management practices and how they linked to improved performance in SMTEs. This was considered to be important to refining the details of the managerial factor list. Some of their views are presented below.

All of the success factors presented to the experts were rated as either very important or important, however, some of the experts had problems with the 'ranking' task as they believed the importance of the factors to performance changed over time depending on the life cycle stage of the business and the sector in which it operated. For example, the 'use of external assistance' would be a more critical factor for businesses with inexperienced owner/operators than for more established businesses.

Although the diversity of the sector made it difficult for some experts to answer a question about whether SMTEs were different to generic SMEs, in how they operate, there was general agreement that the basics for SMEs and SMTEs are the same, but that there may be other factors that need to be considered for those operating in the tourism industry. Key fundamentals, however, are the same for SMTEs – the entrepreneur, financial management, good planning, good relationships and knowing their market.

It was suggested that the risks in the tourism industry are different to other businesses due to seasonality issues and the strong impact of external factors (e.g. airline strikes and the September 11 incident). The fickleness of the market is an issue and its sensitivity to economic conditions was also seen to be a difficulty.

'The principles are the same for all types of businesses but the nature of the business is different. Tourism is more of a people business and should have this emphasis. Human Resource management, is therefore, very important. The business (or service) is delivered via the people. The operative level has more to do with the customers when compared to other industries. In tourism businesses, marketing and HR management are very important.' (Expert 1, 2002)

The final list of factors and strategies were modified, based on expert input. These factors were possible benchmarks for good practice identification. They became the headings of the matrix used to analyse the award submissions and will be discussed further in this report.

After the research team had analysed the award submissions and identified good practices, using the matrix format as a means of assessment, a number of key industry personnel were interviewed. The purpose of these interviews, as stated in Chapter 2, was to verify whether the findings aligned to what particular tourism industry sectors believed to be good practice. Although there was general agreement that the good practices matched expectations, with some variation between sectors, the interviews were not as illuminating as anticipated. This feedback could indicate that good management practices of SMTEs are changeable and dependent on a variety of characteristics including the firm's age and stage of development. It also suggests that such interviews may not be the right forum for gathering this information.

Chapter 4

Findings

In this section the business demographics of the 23 SMTEs involved in the study are discussed. This discussion is limited because of the small sample size but it does provide some direction for further research. Most of the firms are small businesses as they employ between 5 and 20 employees. There are some differences between micro businesses and small firms as only a few micro businesses, demonstrated at a high level, the various managerial factors. Metropolitan businesses rated on more of the managerial factors than rural businesses.

Additionally, the good practices identified by those factors that were demonstrated extensively by more firms (50% and above) are discussed. The good practices include marketing knowledge and activities, networking and relationship management, and quality and customer focus.

Business Demographics

Analysis of the business demographics of the 23 firms studied highlights the range of SMTEs studied. The SMTEs can be classified according to the categories below.

Firm Size

Firms were classified by size using both employment and turnover data.

Table 4: Firm size

Size	Total
micro businesses (1- 4 employees and < \$350,00 t/o)	6
small businesses (6-19 employees and b/w \$350,00 & \$10M t/o)	15
medium sized businesses (20 – 199 employees and > \$10 M t/o)	2

Location

The firms were distributed relatively evenly across rural (N=13) and metropolitan (N= 10) areas.

Business structure

Seven of the firms were ‘not for profit’ organisations and 16 firms operated ‘for profit’ purposes.

Age of Business

The age of each business could be classified according to the following ranges.

Table 5: Age of Business

Age of Business	Total
1-5 years old	7
6 - 10 years old	5
11-15 years old	5
older than 15 years	4

States

The 23 businesses originated from all states and territories within Australia.

Table 6: States

State/Territory	Total
Victoria	4
New South Wales	5
Australian Capital Territory	3
Western Australia	1
Northern Territory	3
Queensland	1
Tasmania	3
South Australia	3

Sectors

The SMTEs operated in a range of sectors.

Table 7: Sectors

Sector	Total
ATSI Tourism	3
Environmental Tourism	2
Tour and Transport	2
Tourism Restaurant	2
Tourism Wineries	2
Tourist and Caravan Parks	3
Accommodation – up to 3 AAA	4
Accommodation – 3.5 to 4.5 AAA	2
Meetings	3

Discussion of Good Practices

In order to identify the management practices that could be described as examples of good practice, each business was firstly rated independently by the researchers on every management factor. Each business was then analysed separately and any factor, which had a rating of either 4 or 5 on the rating scale, was collapsed into one category and was defined as ‘good practice’.

A summary of the high rating management factors (i.e. good practices) where 50% or more of the firms rated highly is illustrated in Appendix B.

Factors, which rated highly by most firms (50% and above) included marketing knowledge and activities; networking and relationship management; and quality and customer focus. Specific management objectives applicable to the highly rated factors that were drawn out of the submissions by the researchers are listed in the following table.

Table 8: Specific management objectives

Management Function	Objective
Marketing Knowledge And Activities	<ul style="list-style-type: none"> • Extensive Knowledge of Target Markets • Efficient Modification of Practices Based on Market Research • Regular Performance of Market Research • Effective Utilisation of Own Publications • Successful Use of External Publications • Actively Pursue Face to Face Sales Calls • Successfully Employ Visitor Tracking Systems • Regularly Conduct Formal Familiarisations • Effective Use of Website
Quality and Customer Focus	<ul style="list-style-type: none"> • Strong Focus on Making Use of Customer Feedback • Active Pursuit of Industry Knowledge • Direct Provision of Special Needs For Customers • Use Industry Accreditation, Tourism Awards to Promote the Business • Continually Develop New products, Services or Facilities
Networking and Relationship Management	<ul style="list-style-type: none"> • Effective Utilisation of Industry Associations • Active Interaction with Government Bodies • Strong Cooperation with the Community • Effective Linkages with Other Businesses

Marketing

The first area identified as reflecting good practice amongst the award winning SMTEs was marketing.

The specific marketing objectives and practices as identified from the award submissions are outlined in Appendix C. Additionally, most businesses (74%) in this study had stated goals that were highly focused on markets and marketing as shown below.

Market focused goals as reported by award winning firms

'To ensure that the provision of services contributes to its reputation as a quality accommodation provider delivering repeat and referral business of at least 40% and contributing to 'word of mouth' marketing.'

'To increase regional, national and international awareness of the high quality accommodation and services offered.'

'Establish the hotel as an entity on the Internet moving towards e-booking and e-updating of travel agents and conference planners.'

'Increase exposure in O/S wholesale programs in order to increase market exposure and spread out dependency upon individual agents and to increase penetration of key growth markets.'

It is useful to compare the above good practice findings with the results of other studies. In making such comparisons, a study of the importance of marketing to business was carried out by the researchers including the factors cited as leading to good performance.

Siguaw and Enz (1999), in a study of best practices in marketing in hotels (although only a study of large firms), believe that sales and marketing is the lifeblood of any business.

In another study, Narver and Slater (1990) researched the market orientation of a firm. Market orientation is defined as 'the organisation culture that most effectively creates the necessary behaviours for the creation of superior value for buyers and, thus, superior performance for the business'. This concept has been studied widely in the past but with mixed findings about its impact on profitability because of the influence of so many other variables. However, Pelham (2000) believes that those firms, including SMEs that have a strong market orientation often have improved performance. In fact small firms that are market oriented are believed to have a sustainable competitive advantage because they 'can better leverage their advantages of simpler organisational structure, flexibility, adaptability, capacity for speed, and propensity for innovation in changing environments. If the small firm is too internally oriented and lacks a market orientation, that firm will fail to grasp the implication of changes in customers' need or in competitors' strategies' (p. 64).

The good marketing practices identified in the Siguaw and Enz (1999) study included sales management, promotion, channel relationships, target marketing, market research, product development and pricing. The examples given in this study were very practical and measurable with clear success outcomes such as increased occupancy, improved guest satisfaction and enhanced revenue.

In the Narver (1990) study, the three market orientation behavioural components of customer orientation (understanding target customers to create superior value), competitor orientation (understanding short-term strengths and weaknesses and long-term capabilities and strategies of competitors) and interfunctional coordination (the coordinated utilisation of the firm's resources to create superior value for customers) were seen to be equally important to good performance.

The good practices in the area of marketing identified in this study include understanding and modifying target markets; use of other publications for advertising and making use of visitor tracking systems and information management systems. The benefits of such practices are largely supported by other studies. These practices show that the operators have extensive knowledge of their target markets, which is obtained through secondary research and face-to-face contact. They then use this knowledge to attract new customers and to encourage loyalty from regular customers. Information technology is used to store information and to track customers to assist with the goal of developing good customer relationships. Finally, the SMTEs make effective use of every opportunity to promote their business – either through publications, pro-active encouragement of tours to their site and/or the Internet.

These findings are also largely supported by the earlier reported expert views:

“Overall, Market Knowledge/ Marketing Activities was ranked the most important factor, which contributed to business success.”

Quality & Customer Orientation

Another area of good practice which is widely demonstrated by a majority of the SMTEs in this study is quality and customer focus.

In this study, slightly less than half of the businesses (43%) have goals that are highly geared towards quality and customer service indicating that these operators understand the importance of quality management to business success.

Quality and Customer Oriented Goals

‘Elevate customer service to the top of our priorities. Establish the highest standard of service delivery and train personnel to meet this by mentoring.’

‘Ensure a high standard of cleanliness is maintained at all times and inculcate a sense of purpose and accountability into housekeeping processes.’

‘Establish a maintenance schedule for off-peak times.’

‘To win a National Tourism Award.’

‘To renovate the restaurant, thus lifting the standards and quality to match the high exposure the restaurant is achieving.’

‘To become the first TCA accredited business in the state/territory.’

‘To have all the tours recognised as Advanced Level Accreditation in order to demonstrate our 'green' credentials to the maximum.’

The good practices in quality and customer service focus on making use of customer feedback; active pursuit of industry knowledge; direct provision of special needs for customers; use of industry accreditation and tourism awards to promote the business; and continual development of new products, services or facilities. The specific objectives and strategies undertaken are listed in Appendix D.

In comparing these results with current literature about quality management many similarities are found. McDonald, Zairi and Idris (2002) describes the shifting roles of quality from a functional focus to an integrated approach to managing an organisation. Therefore, quality cannot be seen as a separate aspect of a business but instead encompasses criteria including leadership, policy and strategy, customer focus, information and analysis, human resource focus, process management and business results. This is based on the Jamal's synthesis of the TQM framework, which is not a quick fix solution to competitiveness but rather a totally integrated, continuous professional system (in McDonald, 2002).

It seems that, in order to achieve business success, these operators understand all aspects of the business and have a big picture view of where the business has come from and where it is going. The strategies employed by the SMTEs have a strong focus on making use of customer feedback in order to redefine the firm's vision and to create added value for the customer. Of equal importance is the active pursuit of industry knowledge to understand the market and to keep ahead of competition. This is achieved in a number of ways and in particular through the attainment and maintenance of industry accreditation.

These findings are largely supported by the earlier expert views, as 'Customer service/quality' was ranked the second most important success factor.

Networking & Relationship Management

The third area of good practice identified in this study is networking and relationship management. It is interesting to note that only six of the 23 businesses had stated goals that are strongly focused in this area, as shown below.

Networking and Relationship Management Oriented Goals

'To provide avenues for partnerships and collaboration between indigenous networks.'

'Work actively with local tourism operators in order to promote (the area).'

'Consolidate participation in the YWCA's National and International and Accommodation Network.'

'To form a close relationship with Parks Vic. Staff, complementing their services and products, assisting where possible to manage and improve Parks assets and educating the public about Parks or NRE research programs. Additionally, we aim to contribute to local and regional tourism, improving networks and gaining knowledge of markets and exposure about the business of tourism in the region.'

'To continue a cooperative and successful joint venture between business stakeholders.'

'Develop partnerships to encourage further use of the business.'

This is despite the operators showing evidence of strong networks and relationships with both the community and the industry. The reason for this could be that most of these operators take networking and relationship management for granted, that is, it is not recognised as a key element of business planning.

It seems that the basic concept of networks or relationship management is often blurred or misunderstood. Operators can be quite cynical about the term 'networking', which has become a fad for some people. If mentioned as a driver to business success it seems to conjure up images of people running around at organised events exchanging business cards. In fact networking or networks can be either formal or informal and if viewed from the perspective of successful entrepreneurs is seen as an integral part of the normal day-to-day operation of a business. Networking and relationship management may include the following practices identified in this study:

- Collaborate with state and local tourism agencies for familiarisation tours for journalists, conference organisers and industry staff;
- Directly link own website to the tourist commissions and tourism departments;
- Regularly contact local government Visitor Information Services for information distribution and resource gathering;
- Work closely with the local shire to develop proposals and raise funds to develop local amenities and infrastructure for tourism development.
- Offer free/discount tours to residents and clubs (Rotary, Probus, sports clubs);
- Provide students with site visits, work-placements and venues for events;
- Sponsor local festivals and events, participation in local pageants and celebrations;
- Provide prizes/donations to charities, local organisations and sporting clubs;
- Conduct joint marketing promotions with other businesses (joint brochures, advertising campaigns and customer discount cards);
- Support other local businesses (free advertisements in the businesses own premises or via newsletters and brochures, discounts on service);
- Undertake joint ventures with other businesses to provide special packages to customers (tour and dining, tour and accommodation or tour and arts experiences). (See Appendix E for further examples)

Analysis of the award winning firms highlights what other studies have found - that good business operators have both fluid and on-going personal and professional networks in order to gain access to support, information and or control (Monsted 1995). In previous studies it has been demonstrated that there is a relationship between success and the use of information sourced about competitors (Lybaert 1998). SMEs often must contend with the same problems and decisions as big companies, but without the advantage of expert personnel and with fewer resources. The ability of an SME to scan information differs from that of a large company who have co-workers available for this task whereas in an SME the entrepreneur must attain the relevant information themselves, largely through relevant publications and networks (Lybaert 1998). It is one thing to gather information but it is another to apply it. This study of award winning firms suggests that it is the good operators who do this.

The firms in this study develop relationships with Industry Associations, Government Bodies, the community and other businesses in a way that provides mutual benefits. These operators understand that their business does not prosper in isolation but relies on customers, both local and otherwise, as well as a healthy business sector in which to operate.

Demographic Comparisons

The findings in relation to the three demographic characteristics of size, business structure and location are limited but they provide some direction for further research.

Size

There were some differences between micro-businesses and small firms. Only a few micro firms rated highly on the use of information systems, visitor tracking, modifying business practice from market research, in-house training, conducting formal familiarisations, use of financial targets and recognition of profit drivers. This difference could be explained by the lack of resources in the micro businesses. However, more micro firms than small firms rated highly on:

- Use of industry accreditation
- Interaction with the community
- Interaction with other businesses
- Use of other publications.

All of these points relate to networking or relationship management, which in most cases would provide the micro-businesses with some access to the resources they do not have internally. Additionally, the lack of resources often forces smaller firms to be more innovative and seek solutions in different ways to other businesses.

Business Structure

More 'for profit' businesses achieve their goals through networking; and develop new products / services than 'not for profit' businesses. On the other hand, more 'not for profit' firms make good use of their own publications; and (surprisingly) recognise profit drivers than 'for profit' businesses. This could be due to the fact that most of the 'not for profit' firms are either franchised type businesses, such as YHA, YWCA or belong to the local community (e.g. ATSI firms) or are government established and as a result tend to get a lot of outside support from the YHA/YWCA group, government or local experts.

Location

Metropolitan businesses rated highly on more of the managerial factors than rural businesses. More rural businesses than metro firms rated highly on achieving goals through networking and developed relationships with the community or regional groups. These results are not surprising - the building of relationships outside your own business could be seen as more important in the rural areas due to issues related to isolation and lack of resources.

More metropolitan businesses than rural businesses:

- Make use of customer feedback
- Modify practices resulting from market research
- Make use of its own publications
- Have in-house training for staff
- Cater for special needs
- Use industry accreditation
- Make use of financial targets to assess performance

- Recognise profit drivers

An explanation for these differences could be that businesses in metropolitan areas have greater competition and, therefore, they are under greater pressure to do better in key areas, such as those mentioned above. Additionally, they may have greater access to resources to enable them to undertake training, research and accreditation programs.

Chapter 5

Good Practice Firms

This section investigates the firms that rated highly across a number of management practices and compares them with the firms with low rating scores in order to identify areas of importance. This comparison, or gap analysis, highlights some interesting differences. The greatest differences are in the areas of quality and customer focus and training and development, where the lowest ranking firms rate poorly.

On the other-hand, the firms that ranked in the top three have a strong focus on quality and customer focus, particularly in developing and implementing reporting and maintenance systems. It is also interesting to note that all three firms have documented HR policies and procedures, which is something that SMEs generally do not accomplish.

Appendix F provides a summary of both frequencies and averages of the high rating managerial practices for each business. The total number of factors, where a 'good practice' rating was achieved for each business, is compared so that the firms can be ranked according to the number of good practices employed. The firms with high numbers of good practices across a range of managerial areas are ranked at the top of the list. These firms have been described as good practice or exemplary firms.

Nine firms achieved a total average score above the overall total average of all the businesses.² These firms operate in four different sectors, namely, Tourist and Caravan Parks, Accommodation (3 to 4.5 AAA), Tour and Transport Operators and Meetings. It is interesting to note that three of the nine firms are from the Meetings sector. All but one of these nine firms is a small business (i.e. employs between 5 and 20 workers).

Businesses numbered one, two and three in Appendix F stand out as being exceptional firms as they have the highest total average scores as well as a high number of top ratings (i.e. five on the rating scale) for the 39 different managerial categories.

The managerial practices (from a total of 39) where all three firms rated five on the five-point rating scale are listed in the following table. This finding highlights the strong quality and customer focus of the good practice firms.

Table 9: Good practices of the top three rating firms

Managerial Category	Practice Demonstrated
Marketing Knowledge and Activities:	<ul style="list-style-type: none"> • Makes use of tracking systems; • Makes use of other publications (i.e. external to the business) to market their business;
Human Resources:	<ul style="list-style-type: none"> • Involves staff in in-house training; • Have documented HR policies and procedures in place; • Makes use of the HR policies and procedures;
Quality and Customer Focus:	<ul style="list-style-type: none"> • Makes use of customer feedback; • Keeps informed of the industry; • Makes use of information management systems • Makes use of industry accreditation and or rating systems; • Makes use of maintenance reporting systems; • Uses preventative measures to maintain the quality of the service/product; • Makes a concerted effort to develop new products/services.

It is interesting to note that all three firms have documented HR policies and procedures, which is not something that SMEs generally have.

Gap Analysis

A comparison made between the top three rating businesses and the lowest three rating businesses (see Appendix F) in terms of the average scores on a range of managerial factors, highlights some clear differences.

As illustrated in the table below, the greatest differences between averages for the top rated and the lowest rated firms are in the areas of Quality and Customer Focus and Training and Development (as a sub-section of

² Calculated by adding the total average score for each firm and dividing this total by the number of firms. Overall total average=2.9

Human Resources). There are also substantial differences in Marketing and Human Resources (overall). The only area where both groups of firms were rated at similar levels was Networking and Relationship Management.

Table 10: Gap analysis comparison of average scores

Managerial Category	Top Rated Three Firms	Lowest Rated Three Firms	Difference
Marketing Knowledge and Activities	3.6	2.0	1.6
Networking and Relationship Management	3.7	3.1	0.6
Human Resources	3.8	2.3	1.5
- Training and Development	4.0	1.8	2.2
Quality and Customer Focus	4.7	2.0	2.7

It is also interesting to note that the lower rating firms either rated poorly or did not demonstrate the following practices:

- Provision of and involvement in training provided in-house
- Documented HR policies and procedures
- Use of customer feedback
- Keeping informed about the industry
- Use of accreditation
- Use of information management systems
- Use of maintenance systems
- Use of preventative measures to maintain the quality of the service/product

Other Points of Interest

Size

Most of the micro businesses had overall scores at the lower end of the scale, indicating less evidence of good practice. The only micro business, with relatively high average scores has a very unusual structure – a national park and private tour company venture.

Sector

Two businesses in the Meetings sector are in the top five rating firms (Appendix F). No other sector seems to dominate. Given the small sample size, it is not valid to make comparisons between business sectors in this study but it is certainly a topic worth exploring in future research.

Age

Only one business in the top ten firms could be classified as a young firm (i.e. 1-5 years old) at the time of the awards; the other top nine firms are older than 10 years. The younger businesses are lowly ranked in terms of average scores, as illustrated in Appendix F. This finding suggests that it takes operators time to develop good practices.

Location

Businesses from the rural areas appear to score as well as the metro areas.

Business Structure

‘Not for profit’ businesses are equally dispersed in the table – both above the overall mean and below it.

Chapter 6

Case Studies of Highly Rated Firms

The following case studies of the three firms that rated highly across a number of management practices have been compiled to present an overview of these businesses and their particular strengths in an effort to provide a big picture view of the drivers of successful firms. Looking at particular management aspects in isolation ignores the relationships that exist between various business dimensions, such as strategic and environmental factors, structure of the organisation, its processes and functions as well as the owner's influence. A holistic study of particular firms is able to provide some insight into how these forces work together to improve business performance.

Introduction

The information provided in these studies has been sourced from the tourism award submissions as well as telephone interviews with the operators. The best aspects of each business (that is, the management practices that rated highly) are discussed as 'strengths'. The benefits of the strategies and practices are also described and are based on the information provided by the owners.

Business 1

Background

The owners of the Caravan Park have 18 years experience in tourism and demonstrate a strong passion for this industry. They have converted what they described as a run down park into an award winning enterprise in six years. They have utilised membership of an Australia-wide franchise network to market the business nationally.

The owners have worked hard to establish a clear market position by distinguishing their park from other caravan parks. Their strategic positioning is to have their customers use the park as a base from which tourists can explore other attractions.

In order to improve the park, the owners developed and implemented a three-year plan and invested over \$5 million in redesigning and upgrading the park.

In the year preceding the tourism awards, the park increased its gross income by 40% whilst an associated activity of providing an agency for tour bookings increased its activity by 264%, admittedly from a low base.

Strengths

Quality & Customer Focus – Strategies & Practices

- Clear communication systems have been developed which include regular staff meetings to pass on customer feedback as well as a daily activity/action whiteboard placed in the staff room. All staff are encouraged to put up any issues for action or customer comments for consideration.
- The staff members are trained to proactively seek customer feedback. Customer feedback forms are handed to all guests at check-in and are collected on departure. The staff also monitor guests' needs through daily interaction with the customers.
- Feedback from customers is discussed at daily staff meetings and actioned if appropriate. Maintenance issues are recorded and where possible addressed on the same day. Positive feedback is conveyed to all staff.
- The owners continually assess their operation. To do this, they have implemented a management crosscheck system.
- New standards and procedures and emergency procedure manuals have been developed. These procedures include telephone bookings; customer relations and 24 hour on call service.
- Visits to many caravan parks throughout Australia have been undertaken to experience the facilities and service of each.
- Comprehensive training, which is customer focussed, is provided to all staff both casual and full-time.

Benefits of Quality & Customer Focus Practices

Visits to other parks have allowed the owners to hand pick the best features of these parks so that they can benchmark their own business against the best in Australia.

Gathering feedback from customers has provided a better understanding of customers and their needs. As a result they can exceed customer expectations and provide, what they call the WOW factor. Ultimately, the high levels of satisfaction have led to a 20% increase in total occupancy and increased yields across each of their accommodation facilities - villas, caravan sites and campsites.

In summary, the park owners and employees have been able to provide a high standard of quality in their customer service through the anticipation of customer needs, continual self assessment and comparison, by implementing clear procedures and customer feedback systems.

Networking & Relationship Management – Strategies & Practices

- Collaboration with state tourism operators is actively pursued. The park is promoted not just as a place to stay but also as a jumping off point to a range of tourist experiences. To provide access to these experiences, the owners work closely with a number of local and regional operators including boat cruises, restaurants, coach companies, recreational activities and tour services.
- The staff members undertake familiarisation visits to regional attractions to have comprehensive knowledge of these experiences in order to offer personalised advice to individual customers on arrival to the park. To ensure that their customers have an enjoyable stay in their region, they provide a booking centre in their main reception area, which gives access to other attractions.
- The owners are active committee members of the Caravan Industry Association and also make sure that they have a representative at various caravan and camping shows across Australia. As a shareholder of the Big 4 franchise group, the owners have played a key role in implementing new policies for the group.
- The owners are also active supporters of local marketing promotion groups, local school visits and local events.

Benefits of Networking & Relationship Management Practices

The owners make it known that they have a strong tourism focus and believe that the success of their business is aided by the links they have with industry groups and other businesses. They understand that a business cannot operate successfully in isolation and, therefore, see themselves as an integral part of the community.

The owner's main purpose in collaborating with other businesses is to ensure that all customers experience the best that the region has to offer. In this way they hope to encourage extended stays and to promote enthusiastic guests to distribute the park's brochures to friends and fellow travellers.

Cooperation with the Caravan Park Industry has allowed the owners to not only keep up with industry trends but also to influence changes, which are aimed at improving the industry.

Collaboration with other businesses enhances the experience of the customer and ultimately encourages extended stays and repeat business.

The reasons for such strong networking and relationship management activities are to create a positive image of the business in the eyes of the community and the customers and to aid the growth of the industry through collaboration with other businesses. The desired outcome of this is to increase repeat business, grow tour bookings and increase overnight stays in order to grow the turnover and profits of the business.

Business 2

Background

The three star rated accommodation facility, which caters for the independent traveller as well as the conference and education markets first opened in 1975 and underwent extensive refurbishment in 1995. The hotel has a unique business structure of a 'not for profit' organisation with a commercial orientation. The income generated by the business goes towards community services.

The hotel has achieved sustained growth over the past five years with an occupancy rate of 80%. In order to maintain the achievements of the previous five years, the hotel management set about the task of actively involving the support of all staff in the strategic planning process.

Strengths

Quality & Customer Focus – Strategies & Practices

- The business operates with a strong hands-on management approach where managers are interactive and supportive of staff.
- Staff are encouraged to gain an understanding of the service from the guests perspective by dining in the café, staying overnight and attending conferences.
- The staff members are trained in quality customer service, particularly with international guests and understanding cultural differences.
- Guest questionnaires are provided to gather feedback for improvement purposes. For example, guest feedback on conference facilities led to the revision of catering menus, more flexible packages and increased staff levels.
- An on going 'mystery guest' program operates to monitor the quality of various aspects of the operation.
- All policies and procedures are documented and weekly staff meetings are held to involve staff in decision-making. The staff members also participate in the development of the business and marketing plans.
- Daily operating reports and weekly management meetings ensure that the finances are monitored and analysed.
- A maintenance reporting system and an improved waste management system have been implemented.
- This includes asset and technological maintenance.
- The front desk staff members are trained in all areas so that they are multi-skilled and available to cover any shift.
- A number of new guest services have been introduced, including the launch of the new website, central reservation via email, a monthly art display in the conference centre, the introduction of an IT Centre and Internet Café and complimentary access to the city baths.

'The standard of service for all customers both clients and travel agents are paramount. Our philosophy when dealing with our customers is to always exceed their expectations.'

Benefits of Quality & Customer Focus Practices

The documentation of policies and procedures helps to ensure consistency in service delivery. The multi-skilling of staff means that they can cover any shift and are available at peak times to meet customer demands.

The systematic approach to maintenance ensures improved safety to both guests and staff and means that high standards are maintained.

Daily operating reports and weekly management meetings have led to greater financial control, which has reduced financial risk and debtors.

The steady monitoring of guest comments and staff feedback has provided regular input into on-going improvement plans. This has ensured the introduction of new services and facilities, which has led to an improved guest experience and greater customer satisfaction.

Human Resources – Strategies & Practices

- A human resources manual was developed incorporating position descriptions and training procedures for each department.
- Employees are recruited rigorously and motivated through training, staff development and incentive programs. The existing staff has been promoted across departments, for example, front office to conference.
- An on-going staff development audit has been implemented to identify existing and future training needs.
- A performance development review system for staff was implemented.
- Managers use a 12-month plan of specific training requirements, including cross training. The staff development training programs include 'getting started' which deals with orientation, induction and OHS training; 'on-going' training to cover aspects of customer service, product knowledge, team building and communications skills; and 'specific technical' training, which focuses on strategic planning and budgeting, telephone sales skills, computer software and leadership and team building.
- Traineeship programs have been initiated with universities.
- Both managers and staff are active in the industry. They attend industry seminars held by the MCVB, MIAA and the Australian Businesswomen's Network.

Benefits of Human Resources Practices

The managers have noted that improved customer service has stemmed from enhanced staff morale, teamwork and a better understanding of cultural differences.

Additionally, the extensive training program has led to improved efficiency and increased competence in operational procedures. This has led to improved product knowledge and sales techniques, which have contributed to increased room occupancy and increased revenue.

‘Staff training and development has been, and will continue to be a key to our overall success.’

Business 3

Background

When the business was first established by the current owners in 1988 it was operated as a home-based business. With a background in the tour operations industry, the owners saw an opportunity for tours at the deluxe end of the market.

The company expanded in 1995 with the take over of an existing company. The business now operates with 5 full-time staff, which expands to 16 in the peak season.

In the past year the business increased total sales by over 30% and customer numbers by over 40%. The increase in sales has mainly come from international private tours.

The focus from the start was to provide customers with a quality experience of Australia that would set it apart from other tour operators. All guides are professional naturalists, some with specialised knowledge in science and geography fields. The business was the first in its state to become an Accredited Tourism Business.

The owners are heavily involved with industry associated boards and committees, which they see as important for them in their quest to be the leaders in the industry.

Strengths

Quality & Customer Focus – Strategies and Practices

- Field operations are run according to the Field Operation Handbook, which outlines staff conduct, and systems and procedures.
- The Director of Operations and/or Senior Guides undertake regular visits to tours.
- An information pack is delivered to every client prior to travel which contains trip notes (re - weather conditions, information on geographic area and suggested reading list), itinerary and tour evaluation form.
- Encouraging customers to complete the tour evaluation form is considered important. In the previous year, 65% of all forms were completed and returned for entry into the computer database. This information is used to identify issues and to rate aspects of the guides performance, particularly for the annual review of field staff. The feedback is also used to follow up clients who are considering future visits.
- All guides complete a report form at the end of each tour. These reports highlight information in relation to accommodation, camping facilities, meals, equipment problems and complaints. This information is used to anticipate future programs and to communicate with agents and customers.
- All guides are required to contact the office via radio on a daily basis to pass on messages, advise of issues and to confirm any changes to the itinerary.
- New software and computers and individual workstations have been introduced for the four full-time office staff. Flow charts have been developed to document telephone and booking procedures.
- Preventative maintenance of all equipment is undertaken to ensure they are fully operational. To do this, the owners have introduced a diary card system for particular jobs and particular days. This system schedules the servicing of equipment while a maintenance database has been established to track the history of all vehicles and equipment. The forms used for data entry into the database are distributed with the guide’s information and is completed on return from each trip.
- A Food Preparation Handbook has been compiled by a chef and outlines hygiene, handling, storage, tips for cooking and a list of menus.

Benefits of Quality & Customer Focus Practices

The benefits of the implementation of the field systems and procedures and the training of staff are evident in the returned evaluation forms. The average rating given by customers for Field staff in relation to courtesy, knowledge, professionalism and competency was excellent to outstanding.

Good maintenance of vehicles and appropriate driver training ensures little disruption to trips (no breakdowns were recorded in the previous year) and minimisation of environmental impact. The efficient operation of tours ensures that customers enjoy their experience.

The use of the Internet and the introduction of flow charts for office procedures has resulted in a 30% saving on costs and reduced the turn-around time for quotes and development of itineraries to less than 12 hours.

To achieve the business philosophy of exceeding expectations the owners focus on putting in place the right staff, operational procedures and technology.

Marketing – Strategies & Practices

- The owners carry out research to ensure they have clearly established their target markets both domestically and internationally. These markets are outlined the Strategic Plan. This plan also includes a Sales and Marketing Plan with established goals specific to accreditation, the distribution chain, new products and direct bookings.
- The owners monitor progress of the target markets utilising a computerized database.
- All marketing activities are targeted according to the two niche products (private and scheduled tours) with separate marketing activities directed at their domestic and international markets.
- Marketing activities include involvement in domestic and international roadshows, travel fairs and expos. Sales calls are undertaken with government tourism staff and travel agents in key states. Advertising is placed in selected publications aimed at consumers seeking a niche product, as provided by the business.
- Domestic travel consultants are taken on familiarisation tours to ensure they experience the full range of their tours. The owners also participate in the Journalist Famil program to encourage the writing of magazine and newspaper articles about the tour.
- A major focus in the past year was to gain exposure in more wholesale market programs and to work the wholesale network, as opposed to the retail travel agent network.

Benefits of Marketing Practices

Advertising in a variety of publications has increased the awareness of the tour by both trade and consumers. Increased awareness by new travel consultants through participation in familiarisation programs has increased local bookings by 176%. Whilst increased public awareness through published articles as a direct result of participation with the journalist familiarisation programs has increased domestic direct bookings by over 50%.

Additionally, the new focus on increasing exposure to the wholesale market programs has been found to be a much more cost-effective way of promotion. As a result, the business was involved in eight Australian and 10 overseas wholesale programs, which provided an increase of 75% in this area.

As a result of the targeted marketing practices to Agency sales, domestic sales increased by nearly 9% and international sales by almost 55%, which provided an additional \$17,400 in sales income.

Overall, the marketing practices employed have contributed to a growth in total sales of over 30%, with a large percentage coming from private charters.

Summary

The findings of the case studies provide strong evidence that the operator/manager is a key driving force in the success of these businesses. In all cases the operator/managers had established very clear goals for the development of the business. They had also driven the documentation of policies and procedures and were responsible for the establishment of a collaborative team approach to running the business.

The owner/managers of these businesses also expended a great deal of time and resources on training and multi-skilling their staff to ensure that rosters operated smoothly and to empower staff to carry out a variety of tasks as required. This increased the chances of meeting the customers' needs.

It is also interesting to note three consistent practices across the good practice businesses:

- obtained accreditation;
- knew their competitors well;
- and were extremely active in the industry.

Chapter 7

Conclusions

One of the major problems associated with benchmarking is deciding on appropriate indicators for performance comparison. This is a key issue for SMTEs as firm-specific information is not readily available and in most cases businesses are not willing to provide sensitive data.

A number of studies in the past have used accounting indicators, as gauges of performance but these are only partial measures and do not account for other aspects of a business. Management strategies and practices should also be examined.

This study attempts to identify good management practices as demonstrated by award winning businesses as a means of highlighting the factors, other than financial, which could be critical to the success of SMTEs. Specifically, the researchers have identified SMTE relevant managerial factors and utilised a matrix system as means of comparing and rating the managerial practices of 23 tourism award winners. In this way, the top rating factors were identified as good practices.

The good practices demonstrated by the award-winning firms can be summarised as follows:

- The strategies employed by the SMTEs have a strong focus on **quality** by making use of customer feedback in order to redefine the firm's vision and to create added value for the customer.
- Also important is **marketing** with the emphasis on the active pursuit of industry knowledge to understand the market and to keep ahead of competition. Good marketing is about effective communication that is, getting information to potential customers and pursuing feedback to target the message and to improve the operation.
- Thirdly the good business operators have both fluid and on-going personal and professional **networks** and good **relationship management** skills so as to get access to support, information and or control. External relationships are more important for SMEs, for in comparison to the bigger businesses, they have fewer internal resources.
- The good practice firms all show evidence of effective **strategic planning** with clearly defined goals for improvement and practical ways of measuring progress. Additionally, the operators were also focussed on establishing better practices through an on-going process of review and applying a team approach to this process.

Based on these findings it seems that quality is not a separate aspect of a business but instead encompasses criteria including leadership, policy and strategy, customer focus, information and analysis, human resource focus, process management and business results.

Transferability

Despite the benefits that the identification of such factors may have in helping less successful businesses better understand their own operations, this study has its limitations in relation to the transfer of these good practices to other businesses, for example:

- This study does not tell SMTEs how to undertake benchmarking and does not explain how to use the good practices.
- The practices highlighted in this study may not be applicable to every business, but nevertheless have been identified as good practices.
- These good practices are also only partial measures and do not capture the overall business performance.

Instead, this study of good practices is intended to help SMTEs review their own business, to encourage reflection and a study of their own performance gaps. It is also hoped that it will spark ideas for innovation and improvement in individual businesses. Practices evolve over time as businesses respond to their dynamic environment. This study is a starting point to encourage discussion and debate about what SMTEs need to help them to undertake a continual improvement approach to business operation. It is recommended that further work to develop a diagnostic tool to be used for self-assessment by SMTEs together with a databank of good practices in SMTEs be undertaken.

Appendix A: Literature Review of Previous Studies of the Methodology for Identification of Best / Good Practice

Authors (year)	Setting	Method used to identify good/best practice	Limitations
Ahmed & Rafiq (1998)	Large – medium size businesses across a variety of industries	Interviews. Case study.	It lacks detail in methodology and does not detail interview design nor explain what or how firm characteristics were selected and how the data on these characteristics was gathered. Did not study small businesses.
Appleby & Mitchell (2002)	Manufacturing companies in the NE of England	PILOT diagnostic self-assessment tool.	The tool - PILOT was adapted so as to be more applicable for smaller businesses, but does not define a small business nor say what changes were made or why. It treats small and large firms as similar businesses. Only vulnerable and promising firms were compared under 4 headings according to the EFQM excellence framework but were only relevant to manufacturing firms.
Appleby & Mavin (2000)	Draws on a benchmarking study 96-99 in NE of England	PILOT diagnostic self-assessment tool.	Doesn't differentiate nor discuss small firms. Although it covers service industries it does not specifically cover the tourism sector. The study is human resource management focused only. Does not explain details of the HR scales used.
Blackwood & Mowl (2000)	Operators in the major resorts of the Costa del Sol in Southern Spain	Student administered questionnaire.	Does not define a small business. Does not describe the initial list of success factors. The factors are very broad and are not clearly defined
Cano, Drummond, Miller & Barclay (2001)	Three small tourism businesses in Scotland	Case study.	Lacks detail in methodology. For example, does not give a clear indication of how the competencies evolved into success indicators and processes. Very small sample.
Cragg & King (1988)	Metal goods manufacturers in England	Mail out questionnaire.	Although this study is extremely useful in helping to identify small business dimensions and possible good practice dimensions (markets, owner characteristics, objectives, managerial practices & financial performance), it does not identify which are important to success.
Crick & Jones (1999)	The winners of the UK Queen's Award for Technological Achievement	Mail out questionnaire.	The list of success factors was not provided. Did not focus on small businesses.
Gadenne (1997)	Small businesses on the Sunshine Coast	Mail out questionnaire.	Did not define small business. Rationale for measurement of variables lacks detail, for example, not sure why they selected particular management practices and business strategies.
Griffin (1998)	Small businesses in San Jose, Costa Rica	Case study.	Lacks detail in its description of its analysis, for example, conclusion was made of each property but are not substantiated.
Kaufman, Weaver & Poynter (1996)	Full time operators of bed and breakfast inns in Virginia	Mail out questionnaire.	Doesn't differentiate between small and large firms.
Kotey & Meredith (1997)	Small furniture manufacturers	Mail out questionnaire.	The findings are based on associations and do not infer causality.
Luk (1996)	Hong Kong – feature reports of small firms in business magazines	Case study review.	No definition of small business. Does not explain how the initial success factors that were used in the questionnaire design for coding were developed. Does not describe the industries the businesses were operating. Does not explain how the coders interpreted 'level of importance' for each category from the narrative reports.

Authors (year)	Setting	Method used to identify good/best practice	Limitations
Mann, Adebajo & Kehoe (1999)	UK food industry - mainly medium and large firms	Structured interview.	Doesn't describe how the interview data was analysed in order to determine best practice in these firms.
Mazzarol (2000)	SMEs across all industry sectors	Mail out questionnaire.	Small sample for mail out survey. Only sales growth used as a measure of success.
McKercher & Robbins (1998)	Nature based tourism operators in Australia	Mail out questionnaire.	Does not indicate the type of qualitative analysis used. Small sample of 53 respondents. Lacks detail in its description of its methodology, e.g. questionnaire design and analysis process. Link between the findings and conclusions is not obvious.
Merrilees & Miller (1996)	Hairdressing businesses in the Newcastle region	Structured interview.	Only focuses on HR best practice. Methodology lacks detail – does not adequately explain how and why performance indicators were identified.
Osborne & Cowen (2002)	The USA	Observation.	Although information is provided about high performing companies no explanation is given of the overall aim or methodology used to collect and analyse the data. It appears that it is merely anecdotal information collected over a number of years.
Ropeter & Kleiner (1997)	Companies in the USA	Past literature. Interview.	It does not clearly describe the study aim nor the methodology used. It is more of a narrative of someone's view.
Yeh-Yun Lin (1998)	SME recipients of outstanding organisational performance awards	Case study review.	None evident.
Yusof & Aspinwall (2000)	UK automotive manufacturing SMEs	Mail out questionnaire.	Small mail out sample of 44 respondents. A small business was defined as less than 250 employees (different to the Australian definition). Only focused on TQM variables.
Yusuf (1995)	Small businesses in the South Pacific	Mail out questionnaire.	Does not explain how it initially determined the success factors as set out in the questionnaire.

Appendix B: Management Criteria with Rating of 4 or 5

A summary of management criteria where high ratings (4 or 5) are achieved by more than 50% of businesses by size, business structure, age and location

Criteria	% of firms with a rating of 4 or 5 according to each management criteria											
	No. of firms	Understanding of its target markets	Use of other publications for advertising	Use of industry associations	Keep informed of the industry	Goals achieved through networking	Makes use of customer feedback	Makes use of information mgt systems	Makes use of visitor tracking systems	Modifies practice resulting from market research	Makes use of interactions with govt bodies	Makes use of its own publications
All firms		91%	83%	83%	83%	78%	74%	74%	70%	70%	70%	65%
By size												
1-4 (micro)	6	66.7	100	83.3	66.7	66.7	66.7	33.3	33.3	33.	50	50
5-19 (small)	15	100	80	86.7	86.6	86.7	73.3	86.7	86.7	80	80	73.3
20-100(med)	2	100	50	100	100	50	100	100	100	100	50	50
Business Structure												
Profit	16	87.6	87.6	81.3	81.3	87.6	68.8	68.8	68.8	68.8	62.6	56.3
Non profit	7	100	71.5	100	85.7	57.2	85.8	85.8	71.5	71.4	85.8	85.7
Age												
1-5 yrs	7	73.5	57	100	85.8	71.4	57.2	57.2	42.9	57	42.9	57.2
6-10 yrs	5	100	80	100	60	100	60	60	60	40	60	40
11-15 yrs	5	80	100	60	100	100	80	100	80	80	100	80
16-20 yrs	2	100	100	100	100	50	100	100	100	100	50	100
21-25 yrs	2	100	100	50	100	50	100	100	100	100	100	50
unknown	2											
By location												
rural	13	84.6	84.6	84.6	77	92.3	53.9	69.2	61.6	53.9	61.6	53.9
metro	10	100	80	90	90	60	100	80	80	90	80	80

SMALL AND MEDIUM TOURISM ENTERPRISES

	No. of firms	Staff are involved in in-house training	Cater for visitors with special needs	Develops new products, services or facilities	Conducts market research	Interacts with community or regional groups	Uses industry accreditation or a rating system	Makes face to face sales calls	Conducts formal familiarisations	Makes use of a website	Interacts with other businesses	Uses financial targets to assist in assessing business performance	Recognises profit drivers
All firms		65%	65%	65%	61%	61%	57%	52%	52%	52%	52%	52%	52%
By size													
1-4 (micro)	6	33.3	50	50	50	83.3	66.6	16.7	33.3	20	83.3	33.3	16.7
5-19 (small)	15	73.3	66.7	66.7	66.7	60	53.3	66.7	53.4	64.3	66.6	60	66.7
20-100 (med)	2	100	100	100	50	0	50	50	100	100	50	50	50
Business Structure													
Profit	16	62.6	68.8	75	56.3	56.3	62.5	50	50	56.3	56.3	50	43.8
Non profit	7	57.2	57.2	42.9	71.5	71.4	42.9	57.1	57.2	42.9	42.9	57.1	71.4
Age													
1-5 yrs	7	42	57	71.4	57.2	42.9	57	28.5	42.9	28.6	57	28.6	33.3
6-10 yrs	5	40	20	40	20	100	20	60	40	60	100	80	100
11-15 yrs	5	40	80	100	80	40	60	80	100	80	60	40	20
16-20 yrs	2	50	100	50	100	50	50	50	50	50	0	50	50
21-25 yrs	2	100	100	50	50	100	100	100	50	50	0	100	50
By location													
rural	13	53.9	46.2	61.6	53.9	76.9	46.2	53.9	46.2	46.2	61.5	46.2	38.5
metro	19	80	90	70	70	40	70	50	60	60	40	70	70

Appendix C: Good Practices – Marketing Knowledge & Activities

Criteria	Practice
Extensive Knowledge of Target Markets	<ul style="list-style-type: none"> • Able to describe the demographics of target market, how to segment them and how to reach them; • Link with state tourism marketing support schemes to gather data about changing market needs; • Utilise marketing group (franchise or regional) to help improve knowledge of their market.
Efficient Modification of Practices Based on Market Research	<ul style="list-style-type: none"> • Organise marketing activities according to the different target markets; • Identify regular and valued customers so as to provide them with special service, vouchers or upgrades; • Rework brochures regularly to reflect the varying needs of the target markets.
Regular Performance of Market Research	<ul style="list-style-type: none"> • Weekly review all booking sources to help identify target markets; • Use customer surveys and ticket agency bookings to gather market data; • Make follow-up phone calls to regular clients to gauge the impact of marketing campaigns; • Utilise tourism research students to help define target markets.
Effective Utilisation of Own Publications	<ul style="list-style-type: none"> • Distribute promotional and advertising brochures so as to reach their markets (display at information centres and tourism agencies state-wide, hand out at entry gates/doors in other areas, translate into other languages and distribute to O/S markets); • Distribute, electronically as well as via mail, a monthly newsletters to database clients; • Develop and distribute information folders to customers with free postcards of the area and complimentary drink vouchers.
Successful Use of External Publications	<ul style="list-style-type: none"> • Advertise in local and state visitor or tourism sector guides, government driven publications, domestic and O/S travel brochures (travel agents), and international publications; • Publish a regular column in local newspaper to educate the community on their particular tourism sector; • Seek reciprocal advertising in the brochures of other businesses.
Actively Pursue Face to Face Sales Calls	<ul style="list-style-type: none"> • Visit travel agents and other tourism organisations; • Attend national / international trade shows and undertake sales missions to travel agents; • Operate stalls or information booths at local fairs, shows and tourism events; • Embark on road trip to visit other organisations for brochure distribution and referrals.
Successfully Employ Visitor Tracking Systems	<ul style="list-style-type: none"> • Develop a management information system to store, find and use specific visitor information from customer database; • Use State Visitor Surveys and Tourism Commission research to track tourists and customers; • Train staff to ask how customer heard of the product/service when a booking is made; • Record and use all customer feedback to help with future advertising and business improvements.

Criteria	Practice
Regularly Conduct Formal Familiarisations	<ul style="list-style-type: none"> • Pro-active in offering familiarisation tours to state and regional tourism bodies, publishers of guide books, reviewers and local business people; • Regularly invite owners & managers of similar businesses to sample product or service free of charge; • Respond quickly to requests from State Tourism Commission's Media Unit for familiarisations for the Visiting Journalist Program and travel agents; • Offer to host volunteer tourist information officers and partners.
Effective Use of Website	<ul style="list-style-type: none"> • Develop and maintenance of up to date website linked to other sites (State Tourism Commissions and industry association sites); • Plan to or have developed website so customers can make bookings, enquiries and pay on-line; • Offer customers the opportunity to subscribe to an on-line newsletter. • Develop picture gallery of products/services, which is renewed monthly on the website.

Appendix D: Quality & Customer Focus

Criteria	Practice
Strong Focus on Making Use of Customer Feedback	<ul style="list-style-type: none"> • Regular conduct of customer surveys and/or random follow-up calls; • Evaluate the feedback received in order to improve service; • Enter customer data into a database, which is used to track needs and issues; • Actively seeking of customer information to review the performance of staff for annual reviews; • Hold regular staff meetings to share customer feedback and to discuss areas for further improvement; • Pro-actively interact or mingle with customers on a daily basis to monitor needs & requirements; • Encourage staff to use the service so as to better understand the customers perspective; • Employ a mystery guest program to monitor the quality of the experience; • Quickly respond to all complaints in writing to detail how the problems was addressed and to thank the customer for their feedback and to offer compensation if required; • Regular seeking of staff comments or reports to gather information about all aspects of customer service.
Active Pursuit of Industry Knowledge	<ul style="list-style-type: none"> • Attain tourism accreditation as a means of maintaining or surpassing industry standards; • Establish own internal benchmarks and implement improvements by visiting competitors as guests to make comparisons; • Members of professional associations and subscribe to and read own and other industry publications. • Provide a library of publications and information for staff; • Send questionnaire to members of the tourism industry for feedback and views on the business.
Direct Provision of Special Needs For Customers	<ul style="list-style-type: none"> • Provide disabled facilities according to the Australian Design Standard; • Employ bilingual staff and develop tour interpretation sheets in various languages; • Conduct research to ensure that all meals and activities are in accordance with specific cultural requirements; • Roster extra staff to provide special attention to families with children; • Use a registration/booking sheet to specify special needs so that service is tailor-made to meet individual needs and budgets; • Utilise low staff customer ratios so that more time is available for individual customers.
Use Industry Accreditation, Tourism Awards to Promote the Business	<ul style="list-style-type: none"> • Maintain accreditation or rating and where possible pursue advanced levels; • Promote accreditation and awards as a commitment to quality; • Train staff in quality customer service provision and where appropriate staff accreditation is made mandatory.
Continually Develop New products, Services or Facilities	<ul style="list-style-type: none"> • Annual review of product / service with feedback from wholesalers and in-bound operators; • Monitor competitor activities, customer feedback and staff feedback to develop new products; • Work on value adding to increase yield.

Appendix E: Good Practices – Networking & Relationship Management

Criteria	Practice
Effective Utilisation of Industry Associations	<ul style="list-style-type: none"> • Active involvement with all relevant associations (tourism, sectoral, business); • Involvement entails attendance at most meetings and functions, and often entails participation at board or organising committee levels; • Host association meetings at owner's property; • Provide free or reduced rates to association members; • Encourage employees to be engaged in the associations as well; • Assist their industry association to advise prospective and existing owners on redevelopment and upgrade of their facilities.
Active Interaction with Government Bodies	<ul style="list-style-type: none"> • Collaborate with state and local tourism agencies for familiarisation tours for journalists, conference organisers and industry staff; • Directly link own website to the tourist commissions and tourism departments; • Regularly contact local government Visitor Information Services for information distribution and resource gathering; • Active participation in government initiative projects and regional, state or national marketing programs (product manuals, government brochures, government expos and trade show); • Work closely with the local shire to develop proposals and raise funds to develop local amenities and infrastructure for tourism development.
Strong Cooperation with the Community	<ul style="list-style-type: none"> • Recognise the local community as an integral part of the business; • Offer free/discount tours to residents and clubs (Rotary, Probus, sports clubs,); • Actively cooperate with local schools and community groups; • Provide students with site visits, work-placements and venues for events; • Sponsor local festivals & events, participation in local pageants and celebrations; • Provide prizes/donations to charities, local organisations and sporting clubs.
Effective Linkages with Other Businesses	<ul style="list-style-type: none"> • Conduct joint marketing promotions with other businesses (joint brochures, advertising campaigns and customer discount cards); • Support other local businesses (free advertisements in the businesses own premises or via newsletters & brochures, discounts on service); • Undertake joint ventures with other businesses to provide special packages to customers (tour and dining, tour and accommodation or tour and arts experiences).

Appendix F: Frequencies & Averages of Individual Businesses According to High Ratings* on Each Managerial Factor (or Good Practice)

* High ratings = 4 or 5 on a rating scale of 1 to 5

** There are a total of 43 criteria for Environmental Tourism businesses, 40 criteria for ATSI businesses, 39 criteria for all other businesses

*** NE = not evident

Business	Sector	Frequency of 4s & 5s** (max. 39)	Average (NE***=0)	No. of 5s
1	Tourist & Caravan Parks	33	4.0	17
2	Accom. up to 3AAA	31	3.9	16
3	Tour & Transport	28	3.7	21
4	Meetings	28	3.6	14
5	Meetings	28	3.5	13
6	Environmental Tourism	28	2.8	9
7	Accom. 3.5 to 4.5 AAA	26	3.5	3
8	Tourist & Caravan Parks	25	3.3	6
9	Tour & Transport	25	3.2	7
10	Meetings	24	3.1	14
11	ATSI Tourism	21	2.7	6
12	ATSI Tourism	20	2.6	4
13	Tourism Wineries	20	3.0	7
14	Tourism Wineries	19	2.8	6
15	Tourism Restaurants	19	2.6	4
16	Accom. 3.5 to 4.5 AAA	18	2.6	0
17	ATSI Tourism	17	2.8	2
18	Accom. 3.5 to 4/5 AAA	15	2.4	3
19	Environmental Tourism	15	1.8	2
20	Accom. up to 3 AAA	12	2.2	1
21	Tourism Restaurants	10	1.9	1
22	Accom. up to 3 AAA	10	1.9	0
23	Tourist & Caravan Parks	5	1.8	1

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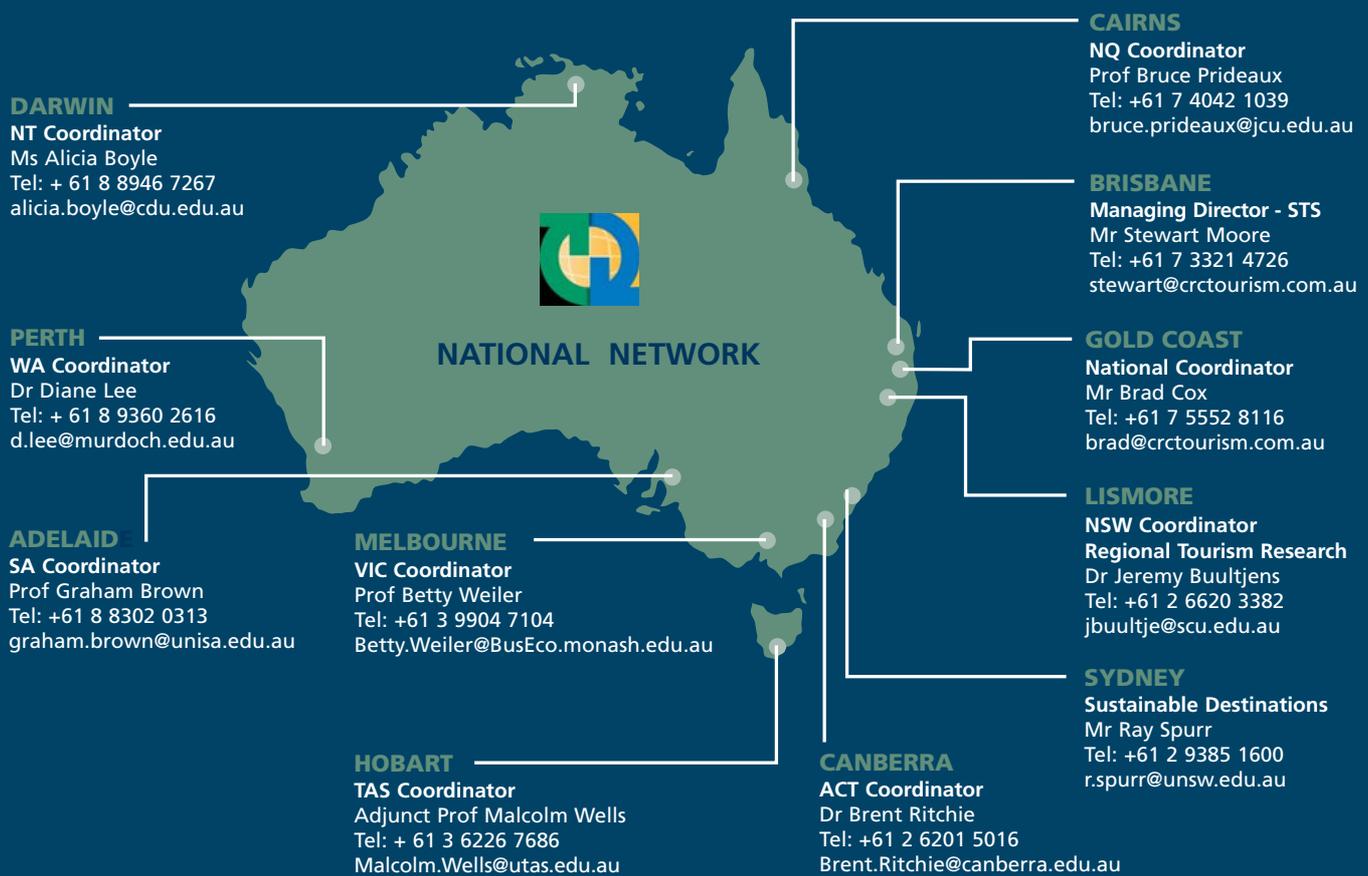
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