

Business Operation: Business Growth and Development

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Sustainable Tourism Online is an EarthCheck initiative.

Sustainable Tourism Online (STO) is a comprehensive online information resource delivering substantial research, data and tools within three main sustainability themes – Destinations & Communities, Business Operations, and Parks & Culture. STO also offers relevant information and knowledge on broader sustainability tourism topics.

Developed by Australia's Sustainable Tourism Cooperative Research Centre (STCRC) in 2010 to support sustainable policy, planning and practice, STO provides access to tourism research and tools developed by STCRC as well as other trusted sources of information.

Tourism businesses operate in a highly competitive environment. Businesses need flexibility and commitment to ensure they remain profitable. All businesses should undertake the 'Business and Strategic Planning' process taking into consideration where they are currently positioned in the business lifecycle. The stage of the business lifecycle influences both the strategic planning process as well as the operational side of the business. Tourism Victoria's [Tourism Excellence Module](#) identifies the four phases of the business lifecycle:

1. Start-up – uncertain markets, establishing products, uncertain marketing, low/no profit, heavy management involvement in the business;
2. Growth – establishment of market share, expansion of product lines and or markets, sales growth, possible internal expansion to meet growth;
3. Maturity – levelling of sales because of increasing competition or decrease in demand. This requires new strategies to avoid;
4. Decline – decrease in sales and profits. If not addressed, it will end in failure.

The links in this section provide further information on some of the key elements of business operation, growth and development, including:

- The use of [innovation and technology](#) within a business to ensure that market competitiveness remains;
- The introduction of [sustainable practices](#) within a business to ensure long term economic, environmental and social sustainability;
- The introduction of appropriate [human resource management](#) practices to manage the recruitment and retention of staff;
- The use of [professional development](#) and training opportunities as a method to increase job satisfaction, retain staff and provide a high quality customer experience; and
- The introduction of risk management monitoring and review processes to ensure business viability over time.

1. HUMAN RESOURCE MANAGEMENT

As a service industry, tourism businesses rely on their ability to attract and retain high quality staff. Engaging, training and retaining the best possible staff is often the only thing that differentiates a business from its competition (See Tourism Victoria's [Tourism Excellence: People Excellence](#)). Effective human resource management is essential for businesses in attracting, recruiting, managing, developing, retaining and even letting go staff. Key findings from research into HR management include:

- While recruitment agencies and advertising are useful tools in the recruitment of staff, the development of both **online and face-to-face networking forums** has provided greater opportunities for employers to access the labour market and recruit employees;
- **International skilled migration** programs can provide a valuable avenue for staff recruitment if there are skill shortages;
- **Work placements, apprenticeships and graduate programs** can also assist in the recruitment of staff, including short-term employment in peak periods;
- Detailed job descriptions should be developed for new staff members including **roles and responsibilities, key performance indicators (KPIs) and expectations**;
- **Regular performance reviews** should be undertaken with staff members with assessment of performance against KPIs;
- New employees need to be provided with **appropriate supervision time, guidance and training** to enable them to reach the expected standard;
- The **dismissal of staff** needs to be handled sensitively and professionally. Understanding the workplace laws that affect your business is essential to avoid any potential legal repercussions.

The Department of Resources, Energy and Tourism provides a range of resources in supporting small tourism businesses to consider staffing and training, including skills development, apprenticeships and immigration sponsorship.

Understanding the motivations behind staff turnover is also an important part of human resource management. For further information on staff retention through professional development and training please see the [‘Professional Development’](#) section.

2. INNOVATION AND TECHNOLOGY

Tourism businesses are under increasing pressure to continually reinvent themselves to meet the changing needs of the consumer. As a business develops and moves through its life cycle it will be influenced by trends in consumer demand, technological advancements, competition, economic and social changes and environmental imperatives. Innovation and the implementation of appropriate technology within a business can assist business managers in effectively responding to the changing environment and continuing to develop and grow.

Innovation

Innovation in tourism relates to the development and implementation of ideas or concepts that enhance the visitor experience, improve products or services or simplify operations. Innovation is not necessarily about creativity but more about problem solving, value-adding and identifying

more efficient or unique ways of delivering a service or product. According to Tourism Victoria's [Tourism Excellence Modules](#) there are three broad categories of innovation:

- **Product innovation** – often high risk, involving substantial investment in people, time and money e.g. The development of wotif.com which was a market leader in online holiday booking systems in Australia;
- **Product improvement** – improving current systems and products, which may only require minimal investment, but can result in substantial profit increase e.g. The Barossa Valley's Penfolds that developed an interactive winemakers experience to further enhance the overall visitor experience; or
- **Process improvements** – improvements in the way a business operates. This usually involves little or no risk e.g. The Royal Melbourne Zoo who introduced new animal management practices and developed new educational programs for visitors in order to improve sustainability and encourage public education.

Technology

Information communication technology is used in all tourism businesses to varying degrees. The business environment has been significantly influenced by the internet and new forms of e-commerce and communication technologies over the last decade. ICT can be used in a business for a variety of reasons including advertising and promotion, sales and distribution, customer management and operational efficiency. Key considerations for tourism businesses in implementing ICT within their business include:

- **Not all technologies are appropriate** for every business. Businesses need to identify those technologies that are likely to make the most difference in the business and provide value for money;
- **The internet is a key tool** for most businesses for marketing and sales and also communication with suppliers and customers;
- In addition to the internet, tourism operators need to remain up-to-date with other technological systems such as **banking and credit facilitation, e-commerce and computer-based management systems**;
- Successful implementation of technologies **requires a good level of ICT skills** either within the business or from an outsourced consultant, with regular review of the systems also warranted;
- Development of a **risk and recovery plan** for the possible ICT failures is essential for all businesses.

For further information on the use of technology for marketing and sales please see the ['Marketing'](#) section.

3. PROFESSIONAL DEVELOPMENT

The tourism industry has one of the highest staff turnovers of all industries. Research has indicated that staff turnover in the industry is estimated to be about 50% and this turnover can cost up to 20% of the organisation's payroll (See [Labour Turnover & Costs in the Australian Accommodation Industry](#)). In a highly seasonal and competitive industry, the retention of high quality staff is vital to providing a superior experience for the customer. Providing appropriate training and professional development opportunities are important factors in being able to retain staff and provide a quality visitor experience. Research into staff retention and the provision of training and professional development has shown that:

- Staff retention is **not all about money**.
- **Job satisfaction, recognition, professional growth opportunities**, a positive work environment and work/life balance are all important factors for employees in selecting a particular role, company and even industry;
- Tourism businesses need to **provide career paths for employees**, allowing them to develop and grow professionally and pursue their career options;
- **Customer service training** and other organisational training programs provide opportunities for staff development as well as enhancement of the customer experience.
- Providing **training opportunities such as apprenticeships and graduate programs** can also help to develop staff skills and encourage business loyalty;
- **Performance-based bonuses, incentives and recognition of achievement** can increase employee satisfaction and encourage retention.

State and National tourism organisations and associations provide specific training and labour market development opportunities and advice for tourism businesses, including the nationally recognised AussieHost training program.

4. RISK MANAGEMENT

Tourism businesses are faced with a wide range of risks in their daily operation. The ability of a business to effectively respond to crises and risk occurrences can determine if a business survives after a crisis. Business managers should regularly review their risk management process to ensure strategies are relevant and up to date. The risk management process should:

- Be based on a **comprehensive Risk Management Plan**, developed as part of the strategic planning for the business. This plan should incorporate strategies for preventing

/ mitigating identified risks, having processes and plans in place for potential risk occurrences, identifying processes for responding to crises when they occur and identifying actions for recovery following a crisis;

- **Monitor existing risks and identify new risks** as they arise in order to evaluate risk mitigation and treatment options;
- **Regularly test the risk management plan** processes including crisis management exercises with key personnel;
- **Evaluate the success of the risk management plan** and processes following the occurrence of an adverse incident or crises;
- Ensure **alignment with the risk management processes of the region or destination**; as demonstrated by the establishment of the Grampians Regional Tourism Recovery Group which is made up of government representatives and industry operators;
- **Develop key performance indicators** or targets as part of the risk management plan as a basis on which to evaluate the success of a businesses' management of a crises;
- Establish **clear processes for monitoring, reviewing and evaluating** the risk management process, including key responsibilities and timing.

For further information on risk management and the development of a Risk Management Plan for a business please visit the section on ['Risk Management Plan'](#).

5. SUSTAINABLE PRACTICE

In an increasingly complex and risk exposed sector, tourism operators must proactively plan to ensure long-term business sustainability. Sustainable practice incorporates not only long-term economic viability, but social and environmental sustainability as well. The implementation of sustainable practices within a business can help to extend the growth and maturity phases of the business lifecycle. The Sustainable Tourism Cooperative Research Centre (STCRC), through one of its landmark reports Small and Medium Tourism Enterprises identified a series of criteria that can be used in assessing good practice of SMTEs:

- **Strategic Planning** including formal planning processes, clear goals and performance monitoring;
- **Financial Management** including record keeping, budgeting, access to finance, targets and outcome measurement;
- **Market Knowledge and Activities** including industry experience, research, monitoring and market analysis;
- **Human Resource Management** including employee relationships, training and recruitment, rewards and performance appraisal;

- **Quality and Customer Focus** including industry standards, accreditation, customer satisfaction, improvement processes;
- **Networking and Relationship Management** including external assistance, partnerships, industry associations and government support; and
- **Leadership and Management** including quality of leadership, management and governance, structure.

The implementation of environmental and social practices within a business can also provide benefits for a business in terms of operational cost savings, comparative advantage, leverage marketing and to support corporate social responsibility obligations. While environmental sustainability has been the focus of much attention over the past decade there are still a number of barriers that need to be overcome for small businesses to successfully implement these practices. Research by the STCRC has shown that the main barriers are implementation costs, lack of customer demand, the labour-intensive nature of becoming certified, lack of government and industry support and the technicality of information forums.

For further information on corporate social responsibility, performance monitoring and environmental benchmarking please see the [‘Monitoring and Evaluation’](#) section.