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Measuring Performance among New Zealand Tourism Businesses: An EVA Evaluation in the Akaroa Township

A thesis
submitted in partial fulfilment
of the requirements for
the Degree of Master of Tourism Management

at
Lincoln University

By V. T. Nguyen

Lincoln University
2006
In memory of my Father

(who passed away during the final phases of this research)
ABSTRACT

Abstract of a thesis submitted in partial fulfilment of the requirements for the Degree of Master of Tourism Management

Measuring Performance among New Zealand Tourism Businesses: An EVA Evaluation in the Akaroa Township

By V. T. Nguyen

Yield has become a central issue in tourism development. The New Zealand Tourism Strategy 2010 has called for a sustainable yield in two of its four key principles for the sector’s long-term prosperity.

Despite the rhetoric about tourism yield, little is known of its meaning or measurement, especially among tourism proprietors. A broad measure is required to address the questions of financial, economic and community-based sustainability at each level of the sector. That is, one that not only captures an accurate financial and economic measure of a high yield but also measures the sustainability of community and public assets.

This is a pilot study of tourism proprietors’ perceptions of business performance tools and yield management strategies among tourism businesses in Akaroa Township, a small coastal resort town on the east coast of the South Island of New Zealand. A mixed method approach (qualitative and quantitative) is employed in the study. Economic Value Added (EVA) is used as a quasi-experimental tool to measure the tourism business proprietors’ perceptions and behaviour of measuring performance in New Zealand and their learning readiness for a new performance metric.

The findings of the study indicate that many tourism proprietors have a poor understanding even of financial yield and of how to measure their business success.
Many tourism proprietors are involved in the sector for a ‘mixed bag’ of motivations, which suggests that a measure of a purely financial yield will miss much of the true nature of their tourism investing and operating decisions. Trust is important to getting-in and getting alongside the people involved and an interactive approach to future studies is recommended.

Key words: yield, business motivation, business performance tools, EVA, SMEs, Akaroa Township, New Zealand
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Chapter I

INTRODUCTION

1.1 Introduction

Yield has become a central issue in tourism development (Simmons et al, 2005). The New Zealand Tourism Strategy 2010 (NZTS2010) called for a sustainable yield in two of its four key principles for the sector's long-term prosperity (TIANZ1, 2001). Despite the rhetoric about tourism yield, little is known of its meaning or measurement especially among tourism proprietors. As a result, a broad measure is needed to address the questions of financial, economic and community-based sustainability at each level of the sector. That is, one that not only captures an accurate financial and economic measure of a high yield but also includes a measure of the sustainability of community and public assets.

1.2 Research Context

Tourism is the world's largest industry and is also a fast growing one. It has the potential to contribute significantly to the economic development of most economies. However, its survival and sustainability depends heavily on environmental conditions, both natural and man-made. Due to tourism’s special nature, the tourism industry faces problems in measuring its costs and benefits to the host country, despite its economic significance. As indicated in the TSA2 (Statistics New Zealand, 2004), the TSA development is a response to the deficiency of current tourism data and lack of measurement systems. Hence, the TSA improves on previous measurements of the economic contribution of tourism to GDP3 and provides an analysis of the size and activity of the industry. The main measurement used in the TSA is tourism expenditure, which emphasises the size and importance of the industry. However, tourism expenditure does not take account of net costs and benefits so it does not provide information on rates of return or tourism efficiency. Hence, the TSA does not provide a complete picture of the New Zealand tourist.

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1 The Tourism Industry Association New Zealand
2 Tourism Satellite Account
3 Gross Domestic Product
destination’s performance. For example, it cannot answer the question of whether tourism yield is economically maximised or not.

At the firm level, characteristic and related tourism businesses rely on three main GAAP accounting metrics: Profit and Loss, Income and Cash flow; and traditional accounting ratios of profit earnings, ROI, ROE, ROA, earning per share and residual income, to evaluate their operation performance (Lundberg et al, 1995). The current GAAP measures, however, fail to capture the actual economic activities of tourism firms due to the GAAP's distortions and incomplete accounting for the total cost of capital. It also excludes externalities of tourism from accounts. Moreover, each accounting earning measure is limited to a single role rather than multiple roles.

The notion of a ‘better’ tool to capture true economic activities of tourism enterprises appeals to the tourism and leisure sector due to their large range of positive and negative externalities relating to every aspect of a host destination, such as economic, cultural and social, environmental and legal factors (Collier, 1999). In fact, these external elements often form the core components of tourism products or tourist attractions. In practice, these externalities are ignored and unaccounted for in tourism production and consumption (Statistics New Zealand, 2004).

In the search for an adequate measure of the capability and performance of tourism firms, increased attention is focused on the concept of yield (TIANZ, 2001, Becken & Butcher, 2004, Dwyer & Forsyth, 1997). Yield can be viewed from different dimensions. Yield refers to the net economic gain/loss from tourism taking into account of both costs and benefits of tourism activities at the industry and firm levels. From an accounting perspective, a yield can be defined as a rate of return. It can also be defined as a rate of return on capital in relation to the emerging Economic Value Added (EVA) adoption by the New Zealand tourism industry in its recent tourism awards. Moreover, because of the focus on sustainability and concern about of ‘global warming’ and ‘green house’ (GRI, 2002; NZCCO, 2001),

---

4 A tourism characteristic industry is the one where at least 25 percent of the industry’s output is purchased by tourists. A tourism related industry is one where between 5 percent and 25 percent of the industry’s output is purchased by tourists (Statistics New Zealand, 2004, p.21).

5 Generally Accepted Accounting Principles

6 Return on investments; return on equity; return on assets.

7 Economic Value Added and EVA™ is a trademark of Stern Stewart & Co

8 Global Reporting Initiatives

9 New Zealand Climate Change Office
sustainable yields that incorporate economic yield into the social and environmental
dimensions of tourism are more desirable.

In such contexts, the New Zealand tourism industry has been actively supporting
and funding tourism research and development in the areas of yield and
sustainability, and the mechanisms to best measure and achieve optimal yields and
sustainability for the industry (Tourism Yield Project\(^{10}\), 2003). For example, NZTS
2010 (TIANZ, 2001) sees the need for an adequate measure of tourism performance
at different levels to assist with ‘building a strong capability for the sector’ and
supports research programmes in that area. One example of this research focus is that
the government has funded the above tourism research. The study of this sustainable
tourism yield is ‘original’ because there is no previous research undertaken in the
area (Deloitte Touche Tohmatsu, 1995; R. Sleeman, personal communication.,
February 2004). Hence, the study will be a foundation or framework for future
research on refining tourism yields. For operational and practical purposes, the new
measure should be developed by improving the available measures in order to
maximise the use of data statistics available (BTR, 2004).

With its adjustments, an extended EVA system may have the potential to measure
true economic activities of tourism businesses. In the literature review, several
assumptions can be made about the performance of tourism firms in New Zealand. It
is argued that many firms have been operating at negative EVA. That means their
economic performance is inefficient despite apparent efficiencies in financial
performance (i.e., positive profit margin). This leads to the point that their cost of
capital exceeds the operating income after taxes. Hence, it may assume that tourism
firms are operating on the inputs from ‘free’ public goods.

EVA is residual income, or operating profits less a charge for the use of capital
(Stewart, 1991). Its conceptual development improves on the flaws of the traditional
GAAP and includes the cost of the total debt and equity capital. Hence, it is stated
that it measures the costs and benefits of actual economical activities in dollar term
which are traditionally not reflected accurately or not recorded in GAAP accounts
(Gray, 2002). In other words, the EVA measure is said to provide tourism proprietors
with some insights into their ‘true’ profitability and answers to questions such as:

---

\(^{10}\) Lincoln University in partnership with Landcare Research and the Ministry of Tourism (New Zealand) has been undertaking this tourism project. This project aims to enhance financial and economic yield of the New Zealand tourism sector.
Is my/our business operating profitability, financially and economically?
- Do I/we want to continue the business?
- Will I/we be better off to use the capital to somewhere else?
- Where are the ‘productive’ and ‘unproductive’ areas in my/our operation?

In the tourism context, understanding tourism business managers/owners is important to understanding their tourism activities in respect of financial and economic sustainability. More importantly, this recognises the need for a better measurement system.

1.3 Research Objectives

The research aim is to develop a framework of better performance measurements for New Zealand tourism firms that can assist them in building a strong business capability and, hence, help them to achieve an optimal sustainable yield, financially and economically.

Hence the main research questions are

1. How do small tourism business proprietors in New Zealand measure their success and performance?
2. What is a suitable performance framework for them? Is EVA suitable for them?
3. What is the level of resistance of business proprietors to the acceptance of a new performance framework?

The specific research objectives are

1. To examine perceptions and motivations of performance and success by small New Zealand tourism business proprietors.
2. To examine performance measuring behaviours of New Zealand tourism business proprietors.
3. To examine critically the appropriateness and relevance of the EVA concept to tourism business proprietors in New Zealand by evaluating different aspects of EVA in practice: meaning, feasibility and adoptability as perceived the proprietors.
4. To identify facilitators and barriers to the practices of EVA in New Zealand as perceived by business tourism proprietors.
1.4 Thesis Structure

This thesis comprises seven chapters. Chapter 1 describes the research context which provides the background for the following chapters. Chapter 2 reviews key dimensions of performance measurement for the New Zealand tourism sector with a focus on SME tourism businesses. It provides an outline of the characteristics of the tourism sector, its current performance measurements and the relevance of EVA (Stern & Stewart, 1996) which, in turn, provides a background for the research goals. Finally, the chapter will present a simplified theoretical model of the relationship between personal characteristics, perceptions and motivation of SME business proprietors and their performance measures. This model will provide a theoretical background for the research objectives and data analysis.

The third chapter introduces Akaroa Township, the study area, in Banks Peninsula. A history and physical geography of Akaroa Township is included and describes the township’s state of tourism and its economic impacts to the town.

In the fourth chapter, relevant research approaches and methods are reviewed and discussed. A mix of qualitative and quantitative methods was used and developed over the stages of the research. The research methods used are: in-depth interviews, a workshop, a review of financial documents, and a Likert-scale questionnaire, in the form of a quasi-experiment (one group). Because the novelty of the research, the research methods and data collection are also an integral part of the research objectives and data.

Research data are presented in two chapters. In Chapter 5, a profile of the tourism proprietors and their businesses is presented to provide an initial understanding of the proprietors and to provide a framework for considering the key results that are presented in Chapter 6. The presentation of the results follows the significant themes that are discussed in the key literature and major research questions. The important role of tourism business proprietors’ characteristics and their businesses to business motivations is presented first. Subsequently, the influence of their business motivations on measuring performance and success before and after the EVA experiment is followed. Finally, the proprietors’ EVA evaluation on several criteria is presented.

The final chapter (Chapter 7) synthesises, highlights and discusses the research results alongside the key literature. Each research question raised from the literature
review is discussed analytically in turn. Finally, implications for tourism business proprietors, the tourism sector and researchers of similar studies are discussed.
Chapter II

LITERATURE REVIEW

2.1 Introduction
This chapter examines the key dimensions of performance measurement for the New Zealand tourism sector with a focus on small and medium sized (SME) tourism businesses. The chapter begins with a brief discussion of key definitions and concepts to provide a clear starting point for the remaining review. The chapter then provides an outline of the characteristics of the tourism sector and its current performance measurements, which, in turn, provides a background for the research goals. Following this, a review of the elements of an effective measurement framework will be presented alongside the potential and relevance of a standard measure such as EVA (Stern & Stewart, 1996). Finally, the chapter will present a simplified theoretical model of the relationship between personal characteristics, perceptions and motivations of SME business proprietors and their measurement of performance. This model will provide a theoretical background for the research objectives and data analysis. The chapter ends with a brief summary.

2.2 Key Definitions and Concepts

2.2.1 Small and medium sized enterprises (SMEs)
Various SME studies have defined small businesses in different contexts, criteria and terms (i.e., they are not consistent and comparable among studies) to suit their own research convenience. In spite of this lack of clarity, both government and academics have accepted that smaller businesses contribute significantly to many international economies. In New Zealand, SMEs constitute the majority of New Zealand business enterprises and provide most of the employment across all industry sectors (MED\textsuperscript{11}, 2004).

In general, there are two different approaches to defining small businesses in either behavioural characteristics or quantitative ones. Behavioural characteristics of

\textsuperscript{11} Ministry of Economic Development
SMEs were described in the second and third points of the definition below, in a British study of small businesses:

1. "The business is owner-managed in a personalised way, not through a formal, specialized management structure;
2. The business is independent, in the sense that it is not a subsidiary of a larger enterprise and the owner is free of outside control in making decisions;
3. The business has a relatively small market share, serving a local or regional rather than a national market" (Bolton, 1971, cited in Cameron & Massey, 1999, p.5).

In essence, the approach differentiates characteristics of small businesses with those of larger ones on the significance of the personal liability of the proprietors in determining the business operation alongside the economic criteria (the first point of the above definition). The studies that use a behavioural approach are usually qualitative and descriptive. They have the disadvantage of being difficult to reduce SMEs to actual figures and they usually divide businesses into only two categories: small and large businesses, which will give less quantifiable information in policymaking decisions.

As such, Ministry of Economic Development (2004) admits that behavioural characteristics such as those discussed above are important for policy considerations. Yet policymakers and academics have alternatively used more quantifiable criteria that categorise small and large businesses into micro, small, medium and large sized enterprises. Common quantifiable characteristics include the number of employees, annual sales, size of assets, the number of proprietors, management structure and industry dominance. The number of employees remains the most common definition of a small business (Newman, 1996; Statistics NZ, 2004 & MED, 2004). The number of employees to each business category varies according to the economic scale of each country and industry sector (Table 1).
Table 1 SME definitions on a basis of the number of FTE\textsuperscript{12} employees

<table>
<thead>
<tr>
<th>Sizes (FTE)</th>
<th>MED &amp; SNZ\textsuperscript{13}</th>
<th>Cameron &amp; Massey</th>
<th>USA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>≤ 5</td>
<td>≤ 20</td>
<td></td>
</tr>
<tr>
<td>Small</td>
<td>6 and ≤ 49</td>
<td>20 and ≤ 1000</td>
<td></td>
</tr>
<tr>
<td>Medium</td>
<td>≥ 6 and ≤ 19</td>
<td>≥ 50 and ≤ 99</td>
<td></td>
</tr>
<tr>
<td>Large</td>
<td>&gt; 20</td>
<td>≥ 100</td>
<td></td>
</tr>
</tbody>
</table>

In the United States of America (USA), the number range from greater twenty to fewer one thousand employees is considered small (Newman, 1996) while in New Zealand, MED (2004) and SNZ (2005) collaboratively defined small enterprises as those employing zero to five FTEs, medium enterprises as those employing six to nineteen FTEs and, consequently, SMEs as those employing nineteen or fewer FTEs. For the operational purposes of the current research\textsuperscript{14}, SMEs and larger businesses were defined on the basis of employee numbers and followed Cameron and Massey’s (1999) definition of small businesses. The latter is due to the strong service orientation of the tourism sector, which is estimated to comprise of 99 percent SMEs (MED, 2004). As such, a micro business was defined as having five or fewer employees, a small business as having six to forty-nine employees, a medium sized business as having between fifty and ninety-nine employees, and a large business as having one hundred or more employees. As a result, a SME is defined as the one employing fewer than 99 FTEs.

2.2.2 What constitutes a good performance measure?

A review of the current measurement practices of general businesses in New Zealand confirms that performance measurement is a topic which is often discussed but rarely defined. Before investigating the constitution of a good performance measure, it is necessary to define the two important terms of \textit{performance (and success)} and \textit{performance measure}.

\textsuperscript{12} According to Statistics New Zealand, the indicator of business size (employment levels) was changed into the 'employee count' (EC) in 2004 from the FTEs (fulltime equivalent employees, including full-time and part-time employees and working proprietors) which was used as the indicator prior to 2003. To enable trends to be studied, the EC measure has been backcast to the year 2000. For the difference between EC and FTEs methods, see Technical Notes of Business Frame, New Zealand Official Statistics. EC is calculated on head count of salary and wage earners sourced from taxation data. EC data are available on a monthly basis.

\textsuperscript{13} Statistics New Zealand

\textsuperscript{14} The current research used FTEs as the method of counting the number of employees in order to seek historical comparison.
Despite the term *performance* being used extensively, few people have defined it and it is unclear whether the term refers to an act itself, the process of that act, or the result of that act. Among a few sources, the Oxford Dictionary (2000, p.978) referred to performance as ‘an act’. Ivancevich and Matteson (p.769) referred to performance as the desired results of behaviour, which indicates the success of achieving expected goals. However, for the present investigation of an adequate performance measure, the definition placed emphasis on the process of setting goals. Neely (1998) stated, “organisations achieve their goals, that is they perform, by satisfying their customers with greater efficiency and effectiveness than their competitors.” The definition suggests that performance has the two distinguishing dimensions of efficiency and effectiveness. Effectiveness refers to the extent to which customer requirements are met, and efficiency is a measure of how economically the organisation’s resources are utilised when providing a given level of customer satisfaction. The second definition is considered important because it helps investigate a performance measure and measurement more comprehensively and accurately.

Performance measures are often focused on enhancing performances despite the fact that there is still not a robust standardised definition of a *performance measure*. For example, the Canadian Tourism Commission (Gergeron, 2001, p.9) defines, “a performance measure is simply a comparison of one number (i.e., profit after taxes) to another (i.e., total assets) to express the size of one number in relation to the other.” This is a too simplistic financial measure (i.e., it ignores the non-financial perspectives). It highlights major measurement issues of accuracy and efficiency. First, in terms of accuracy the definition is limited to the GAAP since these figures are solely calculated on accounting statements without adjustments for distortions. Even assuming that this definition attempts to measure some goals, the results of the instrument itself are still based on manipulated data from financial statements. Second, in terms of efficiency the definition only stops at the past history or action while an efficient performance measure should predict future trends of performance or suggest a course of present actions which its ultimate users can take (Neely, 1998). Hence, a *performance measure* can be defined as a metric used to quantify the efficiency and/or effectiveness of a past action so that a course of future actions can be recommended.
Following the discussions above of definitions, it is important to learn which measures would be appropriate to be used in the exploration of SME proprietors’ perceptions of performance. GAAP measures such as accounting ratios\(^{15}\) are quantitative. They measure the efficiency and effectiveness of an organisation using transactions that have priced values or monetary prices (i.e., a quantitative approach). However, an industry such as tourism\(^{16}\) demands a good balance of quantitative and qualitative measures (Scott et al., 2002a). Qualitative approaches are useful in revealing the practices of the two kinds of quantitative and qualitative measures. According to Scott et al. (2002a), a reliable and powerful qualitative performance measurement framework needs to answer these questions:

1. What is the nature of reality? \(=>\) Can the phenomena be realistically measured?
2. What are the processes used for constructing the measure? \(=>\) Are the processes appropriate (for the intended outcomes) and sufficiently influential?
3. What usefulness and power does this measure provide? \(=>\) Is it powerful in the practical environment?

The above framework has been used as a measurement in the contexts of firms’ learning and responding to changes. Hence, Scott et al.’s framework (2002a) is relevant to the objectives of this research in that it attempts to understand the readiness of SMEs in New Zealand to learn and the likelihood of a robust standardised measure will be accepted and used by the targeted SMEs. The next section will discuss the EVA concept and its relevance to New Zealand tourism firms.

### 2.2.3 Economic Value Added (EVA)

EVA\(^{\text{TM}}\) is the registered trademark of a New York firm, Stern Stewart Inc., founded by Joel Stern and G. Bennett Stewart. EVA was unrecognised in the USA until 1993 when the effort of the firm’s promotional activities advocated its use. In New Zealand, the recent need for a more effective performance measure led to the first adoption of EVA\(^{\text{TM}}\) as an alternative performance measure in some Crown companies and large corporates. However, its adoption in practice has been minimal

\(^{15}\) See a review of current accounting ratios in Section 2.3.2
\(^{16}\) See the nature of tourism in Section 2.3.1
and has been an addition to firms’ existing measures (J. Tan, personal communication, 22 January 2004).

The New Zealand tourism industry started to use EVA™ in their NZ Tourism Award programme as a benchmark tool. This initiative stemmed from the call for higher yields from the sector\(^{17}\). EVA is promoted by Stern and Stewart as a robust standardised tool that can measure the economic profit after taxes taking into account the total cost of capital used to produce that profit. The following presents the formulated concept of EVA developed by Stern and Stewart (1999).

**Definitions**

EVA is ‘residual income’ or ‘net operating profit after taxes (NOPAT) less a charge for the use of capital’ (formula 1).

**Formula 1**

\[
EVA = NOPAT - c^* \times \text{capital}
\]

\[
= NOPAT - WACC \times \text{capital}
\]

**Where:**

- \(c^*\): The cost of capital;
- **Capital**: The economic book value of the capital committed to the business
- **NOPAT**: The net operating profit after taxes
- **WACC**: The weighted average cost of the debt and equity capital

**Formula 2**

\[
WACC = \frac{E}{V} \left[ \frac{E}{V} + D \cdot (1 - T_c) \left( \frac{D}{V} \right) \right]
\]

**Where:**

- **E**: Equity;
- **D**: Debt;
- **V**: Total debt plus equity;
- **T_c**: Company tax rate;
- **R_d**: Before-tax cost of debt (direct measurement of outstanding debt and quotations from lenders; or interest rates);
- **R_e**: Cost of equity (which is computed by adding a premium for risk to the one-year average of the daily yield-to-maturity on long-term government bonds).

The risk premium, \(R_e\) (Formula 3) is estimated by multiplying beta (\(\beta\)) by \(R_p\) (6 percent\(^{18}\)), this result is then added to a risk free rate of the government’s bonds, \(R_f\). According to Bowman (2003), \(R_p\) is the risk premium of stocks over the risk free rate or market risk premium. For obtaining the New Zealand rates of the WACC

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\(^{17}\) For more details of the EVA adoption in New Zealand and elsewhere, see Section 2.3.3

\(^{18}\) In order to incorporate costs associated with equity, Stern (1991) used a 6 percent premium, the historical long-run premium that common stocks average to risk-free government bonds (see also the Section ‘Underlying Concepts of EVA Developments’ followed).
components, firms can access the websites of New Zealand banks and financial institutions such as Stern Stewart & Co. and PricewaterhouseCoopers (PWC).

Formula 3

\[ R_s = R_f + \beta R_p \]

Where:
- \( \beta \): A measure of stock volatility relative to the market or the measure of systematic risk;
- \( R_f \): The risk free rate (which is indicated the prevailing yield on the government’s bonds);
- \( R_p \): The market risk premium.

Alternatively to Formula 1, EVA is also computed by taking the spread between the rate of return on capital and the cost of capital and then multiplying by the economic book value of the capital committed to the business (Formula 4).

Formula 4

\[ EVA = (r - c^*) \times \text{capital} \]
\[ = \left( \frac{NOPAT}{\text{Capital}} - c^* \right) \times \text{capital} \]

Where:
- \( r \): The rate of return on capital;
- \( c^* \): The cost of capital;
- \( \text{Capital} \): The economic book value of the capital committed to the business;
- \( NOPAT \): The net operating profit after taxes;

As such, according to Stewart (1991, p.86), capital was defined as “the sum of all cash that has been invested in a company’s net assets over its life and without regard to financing form, accounting name, or business purpose – much as if the company were a savings account.” He stated that, “NOPAT is the profits derived from the company’s operations after taxes but before financing costs and non-cash keeping entries. As such, NOPAT is also the total pools of profits available to provide a cash return to all financial providers of capital to the firm.”

Underlying concepts of EVA development: EVA versus GAAP and Residual Income

In a review of its conceptual development, it is noted that EVA is a refined version of Residual Income (RI) and is an improvement on the shortfalls of GAAP distortions (Litan & Wallison, 2000). RI was an improved concept of ‘bottom line’ profit because it was charged for the use of the total capital of debt and equity. Traditional accounting income only accounts for the cost of debt as an interest expense;
however, it fails to include the opportunity costs associated with equity (a charge of equity capital) (Chen & Dodd, 1997). For example, the earning per share (EPS) calculation is the performance figure, not adjusted for the cost of equity (Davey, 2001). That means it assumes the use of capital is ‘free’ while obviously nothing is ‘free’ in a business world (Gray, 1990). RI adjusted earnings (NOPAT) and capital for the equity equivalent reserves. RI is, however, subject to GAAP distortions. That is, it is still based on accrual accounting for calculating measurement ratios. EVA, while still based on accrual accounting, eliminates the GAAP distortions from the accounting earnings.

In essence, EVA’s development is based on the removal, where possible, of GAAP shortcomings. Accounting earnings suffering GAAP distortions fail to reflect the underlying economic events associated with the firms (Stern, 2000; Davey, 2001). For example, Research and Development (R & D) in GAAP-based measurements is treated generally as a period expense rather than capitalised expenditure (i.e., it is considered as an investment). An expense will be written off immediately while capitalised expenditure will be amortised over the economic life of the investment. Stewart (1991) argued that GAAP-based performance measures must be adjusted to obtain more meaningful metrics.

Further, to incorporate costs associated with equity, Stern (2000) used a 6 percent premium, being the historical long-run premium that common stocks above the average to risk-free rate of government bonds. In that way, the opportunity cost for a specific company’s equity will approximate the cost of government bonds plus the 6 percent premium adjusted to reflect the individual company’s risk. A company’s risk is reflected in its beta value, the most common measure of investment risk (Chen & Dodd, 1997; Bowman, 2003). This risk assessment process is based on the Capital Asset Pricing Model (CAPM) that is widely used in financial research and practice (Turvey et al, 2000; Chen & Dodd, 2002; Bowman, 2003). The addition of information related to the cost of capital that was not captured by the accounting system should add value to the earnings metrics (RI and EVA) and produce a more comprehensive measure of the company’s performance (Chen & Dodd, 2001).

Stewart (1994) suggested a possible list of 164 adjustments to GAAP. As outlined in Young (1999, in Davey, 2001, p.217), the most commonly proposed adjustments in New Zealand context are R & D, goodwill, deferred taxes, operating leases, warranties and bad debts, inventory, depreciation and non-recurring gains and losses.
However, it is necessary that the choice of adjustments is subject to their relevance, significance and usefulness to a business in a particular sector. Stewart (1994, p.74) suggested that those adjustments chosen should pass the four tests below:

1. Is it likely to have a material impact on EVA? (Materiality)
2. Can the managers influence the outcomes? (Manageability)
3. Can the operating people readily grasp it? (Simplicity)
4. Is the required information relatively easy to track or derive? (Definitiveness).

Further, for the practicability of EVA, it is useful to know the ranking of each of these four criteria. In other words, subject to the limitations of EVA, which will be discussed later, it is feasible to know which aspects of EVA criteria are preferred by potential users of EVA. Certainly, firms should undertake a cost – benefit test of this process before they choose to adopt EVA (Ray, 2001) since it is assumed that accounting for the use of EVA may be costly. As such, in order to derive a suitable and effective EVA system for tourism firms in New Zealand, it is important to critically examine the benefits and limitations of EVA. The following literature section will discuss the nature of tourism, current measurement issues of the tourism sector in New Zealand; and the pros and cons of EVA and its relevance to the tourism sector.

2.3 Key Relevant Literature

2.3.1 Tourism

Nature of tourism

Tourism is renowned for being composite, multi-sectional and highly vulnerable in nature. In essence, these three characteristics are closely related and influence each other. Firstly, tourism products include ‘everything that the tourist purchases, sees, experiences, and feels from the time he or she leaves home until the time he or she returns’ (Collier, 1999, p. 11). Hence, tourism products are composed of both market and non-market goods that the tourist consumes during his or her travel from/to/within host destinations. In fact, the latter are the more important attributes of tourism attractions in New Zealand for its ‘clean and green’ image. It is the environment of New Zealand that draws international tourists. However, in practice, non-market goods are ignored or unaccounted as a rule because they possess unpriced values that are usually intangible and not able to be compared in monetary terms. They are simply considered as goods that are not exchanged in organised
markets with regular market prices or are the ones that lack a monetary price (Sinden & Worrell, 1979).

The large dependence of tourism products on the externalities such as the environment makes the tourism business highly vulnerable. The change in the international tourist numbers and revenue to New Zealand in 2003 due to world events such as the Iraq war, the America Cup and SARS are the evidence of this characteristic. This implies that tourism is a highly risky business. To survive and remain successful, New Zealand tourism firms are required to satisfy at least the core business capability (New Zealand Tourism Strategy 2010) and to work towards better management systems.

Second, due to the composite nature of tourism, tourism economics have to be studied in the context of ecological, environmental and developmental economics, all of which are multi-sectional in nature (Tisdell, 2001). Hence, studies of tourism need novel and varied methods of considering or analysing phenomena in tourism activities and development. In recognition of the special nature of tourism, it is important to know that tourism economics per se have been underestimated due to the inadequacy of measurements available to the tourism sector (Tisdell, 2001).

**Tourism and sustainability**

As indicated in various studies of tourism under different disciplines, sustainability is the core criteria for every research and development project. The core goal of sustainability is to meet the present needs without compromising the future opportunities (ICANZ, 2002). Hence, sustainability is concerned with the use of scarce resources such as the environment from an economic and accounting perspective (WTO, 1998). Gray (1990) pointed out that the way of viewing ‘capital’ or ‘assets’ was problematic to sustainability. Capital can be considered to consist of three elements: man-made capital, critical natural capital and other natural capital. As one of the pioneers in studying social and environmental accounting (SEA), Gray (1990) raised a question critical to the survival of all current and future business, ‘do companies realize the relationship between the three [man-made capital, critical natural capital and other natural capital]?’ The hypothesis is that companies are not able to assess correctly the ‘true cost’ of their business activities to

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19 Institute of Chartered Accountants of New Zealand
20 World Tourism Organisation
social and environmental costs due to a lack of measuring mechanisms. This leads to the second point that companies may perceive more costs than benefits to go ‘green’. So it is important for the feasibility and the success of any development and sustainability projects such as the EVA system that ‘green’ activities and SEA can lead to profit improvements in a long-run and that companies have the knowledge and ‘know-how’.

In New Zealand, ‘sustainability’ reporting and green accounting are still voluntary (ICANZ, 2002) while the Institute of Chartered Accountants of New Zealand was criticised as having ‘shown no apparent determination to respond to environmental reporting issues … despite New Zealand’s clean green image’ (Davey et al, 1995, p.3). The Government’s Preferred Policy Package of Climate Change (GPPCPC) (the Prime Minister and Cabinet, 2002) indicated that firms should undertake these accounting activities earlier. This hints at increasing concerns and actions by the government towards sustainability.

2.3.2 The New Zealand tourism sector

Characteristics and issues

The industry capability is strengthened by the capability of the core tourism business that is largely determined by the nature and characteristics of the micro and SME businesses. This is because the New Zealand tourism industry is estimated to comprise 16,000-18,000 micro, small, medium sized and unlisted businesses and 10 large listed companies (Tourism New Zealand, 2004). For convention purposes, ‘SMEs’ will be used across the study as SMEs comprise the majority of tourism businesses in New Zealand. According to tourism studies in New Zealand, SMEs have high rates of failure, compared with larger firms (Deloitte Touche Tohmatsu, 1995). This is reflected in their poor performance, weak financial position and capability of financing, and unprofessional management. Contributing factors are that tourism businesses have low profitability motivation and many proprietors are family-owned. They are more concerned with the associated lifestyle while doing business (Deloitte Touche Tohmatsu, 1995). Hence, building a core business capability for SME tourism firms is vital to building a strong [successful] business capability for the sector.

In recent years, the New Zealand Tourism Strategy 2010 (NZTS, 2001) has increasingly asserted the importance of building a strong capability from the base of
'core business capability' for the sector to be competitive and maintain its prosperous position in such a highly vulnerable environment. The Oxford dictionary defines capability as 'the ability or power to do something'. Massey et al. (2004) referred to capability as the set of personal characteristics, skills and abilities that can be regarded as being associated with managerial effectiveness. Moriarty (personal communication, 23 February 2004) states, 'core business capability means that the [tourism] business and its products are managed according to [the] best industry (business) practice. Capable does not mean successful whereas financial and economical sustainable does.' This implies the importance of advanced management systems to the success of the firms. In other words, maximising the sustainable yields financially and economically for their business operation should be the optimal goal of the tourism firms if they have to remain successful (Austin et al, 1996; Lincoln University21, 2003).

Key barriers to achieving this goal are deficiencies in tourism data, lack of information on tourism firms' characteristics and behaviours and lack of adequate performance measurement systems. The low business capability, in terms of weak management and administration professionalism, low access to market research information and funds, indicated barriers to the statistical data and mechanisms available for the researcher to explore these areas.

Current performance measures and issues

Tourism has continued re-enforcing its significant role in the New Zealand economy by its revenue of $17.2 billion for the year ended March 2004, up 0.4 percent on tourism spending of $17.17 billion in the March 2003 year (SNZ, 2004). The economic significance of this industry is, however, only captured to a limited extent by conventional economic measures of the size of industries (e.g., tourist expenditure and revenue). These measures usually quantify only marketed, visible or physical attributes of an industry. Its non-market attributes are ignored as a rule. Yet, the non-market value and impacts of the tourism industry are especially large so conventional indicators of industry size can be expected to underestimate the significance and importance of this industry from an holistic point of view (Tisdell, 2001).

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21 Tourism, Recreation Research and Education Centre (Lincoln University) in partnership with the Tourism Industry Association of New Zealand and the Ministry of Tourism are undertaking a three year programme (2004-2007) to develop tools to enhance the financial and economic yield from tourism.
Table 2 shows a review of the economics of different businesses in the tourism and hospitality sector in New Zealand. Lundberg et al (1995) identified the different current economic and financial measures used by tourism firms. The current mechanisms to measure tourism are falling short in accuracy. Tisdell (2001) showed that many tourism facets, which research has not captured comprehensively, and tourism’s contributions, are underestimated. It is due to the composite nature of tourism products of both market and largely non-market attributes that ‘measurements’ in tourism economics must be put in the context of ecological, environmental and development economics.

**Table 2 A summary of the financial measures used by the New Zealand tourism and hospitality business**

<table>
<thead>
<tr>
<th>Business</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotels</td>
<td>Average daily rate (the number of available guest rooms divided by the total room revenue); guest occupancy rate (the number of occupied rooms is divided by those available); profit margin (net income compared to total revenue).</td>
</tr>
<tr>
<td>Restaurants</td>
<td>Sale volumes, costs and net income after taxes from the income sheets.</td>
</tr>
<tr>
<td>Airlines</td>
<td>One measure of airline efficiency is cost per available seat mile.</td>
</tr>
<tr>
<td></td>
<td>Airline load factor is a measure of productivity that show the percentage of seats filled.</td>
</tr>
<tr>
<td>Car rental</td>
<td>A performance measure is fleet utilisation or size. Bottom line or profit after taxes.</td>
</tr>
<tr>
<td>Cruise line</td>
<td>Similar to airlines</td>
</tr>
<tr>
<td>Travel agency</td>
<td>Sales, revenue, profit margin, commissions</td>
</tr>
</tbody>
</table>


All these measures are multidisciplinary in nature and create difficulties in developing adequate measures that capture the true economic profit and all facets of tourism impacts. At the industry level, the main measure of the industry capability and performance is tourism expenditure (SNZ, 2004) which emphasises the size and importance of the industry. However, tourism expenditure does not take account of net costs and benefits and does not provide information on rates of return or performance efficiency.

Similarly, at the business level, New Zealand tourism firms are facing problems from the lack of an accurate performance measure. Popular performance measures traditionally used by the tourism firms are tourist expenditure and revenue, rate of returns (i.e., ROA, ROI) and profit margins that are criticised as being less accurate measures of tourism performance because they are limited by GAAP distortions.
because they do not take into account the total capital employed and all stakeholders' interests.

Guides for performance measures are necessary to help business proprietors evaluate their accomplishments with some degree of precision in terms of managing their cash, debt, the productivity of their assets and, most important, their bottom line or profitability. Performance measures can be grouped into five categories: liquidity measures, debt/coverage measures, assets-management measures, profitability measures, and growth and financial health measures, as shown in Table 3.

Table 3 Guide to financial measures for the Canadian tourism firms

<table>
<thead>
<tr>
<th>Liquidity measures (cash management)</th>
<th>working capital ($), current ratio (times), cash ratio (times), quick ratio (times), working capital turnover (times), days of working capital (times), cash conversion efficiency ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt/coverage measures (debt management)</td>
<td>debt-to-total assets ratio (%), debt-to-equity ratio (times), times-interest-earned ratio (times), fixed-charge-coverage ratio (times)</td>
</tr>
<tr>
<td>Asset-management measures (productivity)</td>
<td>average collection period (days), accounts receivable turnover (times), inventory turnover (times), daily sales to inventory (times), total assets turnover (times)</td>
</tr>
<tr>
<td>Profitability measures (efficiencies)</td>
<td>Gross margin on sales (%), operating incomes to sales (%), incomes after taxes to sales (%), return on total assets (%), return on invested capital (%), return on equity (%)</td>
</tr>
<tr>
<td>Growth and financial health measures (overall performance)</td>
<td>Economic value added (EVA, p.27), sustainable growth rate, financial score (Z-score)</td>
</tr>
</tbody>
</table>

Source: Revised from Bergeron, Canadian Tourism Commission (2001)

The New Zealand tourism sector has not yet developed a benchmarking framework for performance like others. For example, the Canadian Tourism Commission’s (Bergeron, 2001) provided its proprietors with a consistent and effective guidance for using the financial measures (Table 3). There is little knowledge available about what frameworks are used by New Zealand tourism firms to measure their profitability and efficiency (Deloitte Touche Tohmatsu, 1995). This will further increase the difficulties in the development of performance measurements for the sector.

2.3.3 Is EVA a ‘rescue’ tool for the New Zealand tourism industry?

Relevance of EVA to small New Zealand tourism businesses

EVA can be argued to be, potentially, a useful measure of financial performance of New Zealand tourism firms in addition to the traditional accounting measures for two main reasons. First, EVA captures more reliably the ‘true’ economic profit than
accounting earnings do. Because it forces or allows managers to identify the actual costs of capital and by removing accounting distortions that do not truly reflect the economic events of an enterprise, the firm will find that an economic profit (and hence added value) is created wherever productivity (linked to demand) has pushed the firm's return on capital past the cost of capital. In short, added value (positive EVA) can be created by either decreasing the firm's cost of capital or by increasing productivity.

Although there is a lack of conclusive empirical evidence supporting the relationship of EVA and share market performance of listed firms, most businesses in New Zealand are less concerned about share price compared to their profitability (i.e., how much cash they have in the bank account) (P. Bingham, personal Communication, 2004). This is because more than 99 percent of all New Zealand enterprises (293,605 out of 294,954) are SMEs (SNZ, 2005). It is argued that SMEs in the tourism sector have limited need of a share valuation tool and would rather have a good profitability measure. As such, EVA can be used as an internal measuring tool of true economic profit of the firms.

The third, but very important point, relevant to New Zealand tourism firms is that EVA was originally designed for large corporates in the United States of America (U.S.A). Hence, it is subject to the context of the large corporate and the legislation of the U.S.A. When EVA is applied to tourism enterprises in the New Zealand context, it is vital to refine EVA to suit the new potential users. The case study of Roztocki & Needy (1999) developed a refined EVA framework that suited the small manufacturing companies in Pittsburgh, the U.S.A. The framework proposed a method to calculate EVA for small manufacturers, containing five steps: (1) review the company's financial data; (2) identify the company's capital (C); (3) determine the company's Capital Cost of Rate (CCR) instead of WACC; (4) Calculate the company's NOPAT; (5) Calculate EVA.

The relevant points of EVA to SMEs are that small enterprises are unlisted publicly so there is less market information available about their business, for example, cost of debt, cost of equity, beta and market risk premium (Roztocki & Needy, 1999). Hence, Roztocki and Needy developed CCR instead of WACC for suitably and feasibly calculating EVA for small firms in their case study. However, the study reported that the respondents revealed, 'they knew of no literature or software that would enable them to implement an expensive and efficient EVA
system’ while they indicated that EVA is relatively new and they believed it to be too complex. In assessing the feasibility of the adoption of the EVA framework, convenience and cost are important factors. Therefore, the development of EVA for New Zealand’s tourism firms must take account of the characteristics of the firms and the country’s context. The result of the framework in the current research will be formed mainly from the results of the research.

Lastly, with recently increasing concerns about sustainable profitability due to climate change issues, an extended EVA can be developed, with some adjustments, that also take accounts of sustainability. However, the original EVA developed by Stern and Stewart only accounted for sustainability in respect of finance and economics. In other words, it does not consider sustainability in respect of the environment and society. Hence, in order to apply the EVA system in New Zealand tourism firms, there is a need for the development of an extended EVA system that is relevant for the particular users.

Adoptions of EVA in New Zealand and elsewhere

As claimed by Stern and Stewart (200422), EVA can be a single and superior tool for measuring internal performance (true economic profit) and market performance (market price) of corporates: (a) ‘EVA is the financial performance measure that comes closer than others to capture the true economic profit of an enterprise.’ (Stewart, 1991); (b) ‘EVA is the financial performance measure most directly linked to the creation of shareholder wealth over time’.

For justification of (a), Stewart (1991) claimed that EVA captured the true economic profit of firms because the EVA concept removed GAAP distortions and considered the total cost of debt and equity capital. Also, EVA measured dollar value rather than rates of return, which most of other traditional tools use. Hence, it is argued that EVA is a better evaluation tool than other traditional accounting measures or ‘the best available’ in operating, financing and investing decisions for different project sizes and levels of firms. As such, as long as a firm’s EVA is positive, it is earning some economic profits. In other words, as long as the firm’s operating income after tax of an investment is greater than its cost of capital, it can accept that investment.

22 www.eva.com
For justification of (b), Stewart (1991) developed the equation between EVA and MV (market value of a firm) as Market Value Added (MVA) dollar equal to MV less capital, which is equal to present value of all future EVA. In this rationale, 'EVA is the fuel that fires up its MVA.' (Stewart, 1991, p.153). Hence, he suggested that maximizing MVA (or maximizing present value (PV) of all EVA) should be the primary objective for any company that is concerned about its shareholders's welfare.

An increasing number of worldwide companies, particularly large corporates in the USA, are responding to this hype by relying heavily upon EVA to evaluate and reward managers from all functional departments (Brewer et al, 1999). There are over 2000 companies applying the EVA™ to financial management and incentive compensation (Chen & Dodd, 2001). Among Stern and Stewart's clients are Coca-Cola, SPX Corporation and the United States Postal Service. Many managers of these firms have told their success stories of how the EVA system helped their firm's profit and market performance to rise over the years. The stories varied to the different extent to which EVA improved their profitability. A common theme promoted is that EVA™ adoption leads to a dramatic improvement in share price performance (Chen & Dodd, 2001).

In New Zealand and Australia, many companies have started to adopt EVA and MVA for financial management and market valuation. EVA and MVA are used to rank and benchmark market performance among publicly traded companies (NZWCR23 2001, 2002 & 2003). Also, a number of innovative companies have adopted EVA as an useful performance measure in addition to other traditional tools (J. Tan, personal communication, 22 January 2004). The examples of the New Zealand organizations using EVA are Landcare Research, Fernz Corporation Ltd, Waste Management NZ Ltd and TIANZ. It is expected that the number of firms, particularly in the tourism sector in New Zealand, adopting EVA will grow since the EVA concept is being enthusiastically encouraged and adopted by the Crown companies and tourism leaders (EVA Seminar24, 2003; J. Mortiarty, personal communication, 2004).

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23 New Zealand Wealth Creators Reports
24 For Crown Company Monitoring Advisory Unit
**Benefits and strengths of EVA claimed**

The first and the most important strength of the EVA system is that EVA has had a sound conceptual development. This can be justified with several points. Firstly, EVA framework was developed by eliminating the flaws of the previous measures recognised in accounting literature (Neely, 1998). Moreover, it not only deals with the flaws of the traditional measures but also offers ways to overcome them. Secondly, the weighted evidence of 2000 plus worldwide corporates adopting EVA sends the message that EVA concept is ‘persuasive and adoptable’. This is enhanced by the gradual but cautious and critical recognition of EVA by academics and industry leaders (Chen & Dodd, 1997 & 2001; Hansen & Mowen, 2003). These two points lead to another supporting point that the EVA framework is recognised internationally and adopted by the Crown companies (Bown & O’Brien, 2003) and the tourism sector’s leader in New Zealand, TIANZ (D. Simmons, personal communication, March 2003). However, most firms have used EVA in a way that is relevant and useful to their contexts, for example, Landcare Research (J. Tan, personal communication, February 2004).

In essence, EVA can provide firms with an accurate operating performance measure that can help executive evaluation decisions and identify areas of productivity and un-productivity (Ray, 2001). Similarly, in the case of the tourism firms, EVA can help them achieve an optimal sustainable yield by increasing the awareness of their true economic activities such as externalities and operation efficiency. Moreover, the EVA measure is valued in dollar terms rather than the ratios that are usually used for comparison purposes (Bowman, 2003). Hence, understanding and adopting an EVA system can encourage improvements in operating profits without using more capital or encourages investing capital in projects that earn more than the cost of capital and eliminating investment in operations where returns are inadequate (Spivey & McMillan, 2001). Tully (1999, p.39 in Chen & Dodd, 1997) claimed, ‘EVA forces you to find ingenious ways to do more with less capital.’ One illustration of the benefit of EVA over the traditional measures such as ROI is shown next. Suppose the manager of Company Z faces the investment decisions below:

<table>
<thead>
<tr>
<th>(WACC = 10%)</th>
<th>Project 1 (Current Business) ($ 000)</th>
<th>Project 2 ($ 000)</th>
<th>Project 3 ($ 000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>2,250</td>
<td>342</td>
<td>750</td>
</tr>
</tbody>
</table>
With ROI measure, the manager will choose Project 3 (18.75% >15%) and ignore Project 2 (ROI = 13.68% < 15%) although ROI of Project 2 is still higher than its WACC (13.68% > 10%). Hence, it is said that the manager is destroying the wealth of the shareholders. This also results in unused capital from Project 2 which can create wealth for the shareholders. With EVA, the manager will choose both Project 2 and 3 since their EVA is positive and by doing so, the manager is creating $542,000 ($192,000 + $350,000) for the shareholders.

Hence, the third important benefit raised from the above example is that the firms overcome the goal incongruence that exists between managers and firms (shareholding proprietors) that are using earning measures such as ROI (Brewer et al, 1999). The empirical evidence has established that managers exercise their operating, investing and financing behavior in accordance with performance measures and reward systems (Biddle et al, 1998). Through capital discipline, the EVA system can help overcome some problems of the traditional earning incentives and hence can align managers work more closely with their shareholders' interests (Biddle et al, 1998). This, however, may not be very relevant to the small firms whose managers are also the proprietors.

**Weaknesses and limitations of EVA identified**

Despite the refined properties of EVA framework, adopters of EVA should keep in mind of its weaknesses and limitations. There are several critiques on its weaknesses and limitations. Firstly, the most critical limitation contributing to the ongoing debates about EVA is that EVA’s strengths have not empirically been verified and the link to share market performance has been found to be not as perfect as it was claimed (Chen & Dodd, 1997, 1999, 2001 & 2002; Brewer et al, 1999; Turvey et al, 2000). Vast research and debate on EVA validity and purposes still can not totally dismiss or accept it because neither supporters nor critics out weight each other. EVA can have difficulties in its adoption and this can cause a misunderstanding of EVA’s nature (Ray, 2001) that can lead to the use of EVA for inappropriate purposes (Bowman, 2003). EVA is not a ‘cause or performance driver’ to increase revenues or
profits but it is a measure of profitability so it can encourage profitability improvements as an effect of the measure (Ray, 2001).

The second limitation that contributes to the debate and varied understandings is that EVA needs to be studied in time-series and cross-sections (Chen & Dodd, 1997 & 2001; Paulo, 2002). Consequently, limited data and time availability in EVA studies means that there are few empirical studies undertaken to test its claims, except case studies by Stern Stewart & Co.

Another limitation of the EVA framework in practice is the long list of adjustments needed that seem complicated and subjective (Bowman, 2003). These can discourage the adoption of EVA and can lead to the use of EVA for inappropriate purposes. This limitation can be reduced by choosing the adjustments that pass the four tests suggested by Stewart (1991).

Fourth, although it is better than traditional expressions such as ROI in some evaluation problems, EVA, in dollar terms, does not control size differences across plants or divisions as does ROI. For example, a larger plant or division will tend to have a higher EVA relative to its smaller counterparts. Hence, EVA alone does not help to determine which project is better and most efficient in the case of resource limitations. This limitation can be removed by using the average return EVA on capital, as used in the EVA system of Chen & Dodd (1997).

The fourth point can lead to subsequent limitations in the EVA framework (as suggested by Stewart, 1991). Neither single EVA nor a one-year EVA alone is enough to determine corporate performance under a variety of decisions and may cause misleading outcomes. Hence, single EVA and one-year EVA alone are limited to a ‘short-term oriented’, ‘financial-oriented’ and ‘result-oriented’ (Brewer et al, 1999). Consequently, managers may act not in the best long-term interest of the proprietors. Again, this may not be very relevant in the case of small firms. This limitation can be removed by using the EVA system, such as EVA trends, as in the study of Chen & Dodd (1997).

Last, but not least important, in the case of the tourism firms, the original EVA framework is limited to the same shortcomings of the traditional measures that do not account for ‘public goods’, hence, it does not act in the best interests of all stakeholders (Tisdell, 2001; Cross, 2003).
An extended EVA system for small New Zealand tourism businesses

Because this study is exploratory and original in nature, the research’s results themselves will be the main ingredients of the extended EVA system for the New Zealand tourism firms. In essence, the framework for the extended EVA system will include the following important points (Figure 1) that are derived from the literature review. They include (i) accounting for the total cost of capital, debt and equity, invested into the business; (ii) EVA adjustments that are relevant to the New Zealand tourism firms, particularly the small and medium sized firms; (iii) taking account of sustainability in respect of the environmental and social benefits.
First, the framework (point i) will identify the importance of the awareness of public goods or non-marketed goods withdrawn from public resources into tourism activities by the tourism firms. This awareness will contribute to the awareness of the total operational cost of tourism business, including the cost of equity that the proprietors put into the business and ‘free’ public goods that they use in their business. Second, the framework will include the list of adjustments relevant to the tourism firms. This will be achieved by working with the firms during the data collection. The points (i) and (ii) are considered to be feasible to achieve, provided there is cooperation from the firms. The results of the research may help identify the monetary costs and benefits that are not accounted for by the firms, for example, cost of equity and adjustments of revenues and costs in the statements relevant to the tourism firms. These adjustments will be based on the analysis of the firms’ financial data and the interviews and surveys with the respondents.

The framework (point iii) will include the incorporation of environmental and social elements of tourism into the economic element. However, this will be challenging to the research due to the non-monetary value of environmental and social costs and benefits, as discussed in the literature review. Some environmental values can be estimated in monetary values; for example, Landcare Research has developed a framework to measure energy use of the tourism sectors in dollar values (Becken et al, 2003). However, many other environmental and social values are difficult or almost impossible to be monetised, and, if it is possible, the process will
take a long time. As a result, the framework will only address those environmental and social cost/benefits while planning economic costs/benefits using a qualitative approach.

Further, it is suggested that the preparation of a sustainable development report will provide a focus for improving performance for organisations in those areas; hence, it can contribute to the performance and profitability improvement. Final, the framework will include the important points in relation to the EVA application of ‘Meaning, Suitability, Acceptability, Feasibility and Usefulness’ and ‘Facilitators and Barriers’ while the extended EVA framework will be designed and implemented in the future. This will be achieved by analysing the research results.

2.3.4 SME proprietors

The SME literature contains material on all of the functional areas that are of concern to those owning and operating the enterprises (Massey et al, 2004). It suggests that understanding SME business performance needs to include the study of the determinants of SME proprietors’ performance in their business and personal life. The determinants are the proprietors’ personal characteristics including demographics, personality, life cycles (i.e., family and business), perception, motivation, competency and other external factors. Studies of a leading SME research centre in New Zealand (New Zealand Business, 2004) found that life and work for many SME proprietors are almost seamless and hence the boundaries between the proprietors and their business are blurred. The intermingling between business life and business proprietors’ personal life (Newman, 1996; Culkin & Smith, 2000) made SME proprietors’ personal characteristics play a determining role in the type of SME business, operation and performance behaviour they are in. Hence, the studies of SME proprietors’ personal characteristics and the relationship with their business life will help explore the nature of how business proprietors view and measure their business performance which will, in turn, contribute to studies of enhancing SME performance. Further, classifications of SME proprietors are useful in ‘anatomising’ different views and behaviours in measuring their business performance and success.

The connection of SME proprietors and entrepreneurship is worthy of consideration in studies of SME proprietors since the performance of SMEs are ‘personality and psychographics driven’ (Newby et al, 2003; Culkin & Smith, 2000)

29
and many studies indicate that the entrepreneurship in SME proprietors determines wealth creation and business growth of SMEs (Bruin & Dupuis, 2003). Academics used the terms, entrepreneurs, starters (or founders) and SME proprietors interchangeably, which seem refer to the same individuals in SMEs. For example, an individual in a small business can be the founder of the business who does or does not possess entrepreneurship. This leads to questions: (1) Are the entrepreneurs also SME proprietors? (2) Are the entrepreneurs also the starters of their business? (3) Are SME proprietors also the starters of their businesses? The Oxford Dictionary (Oxford University Press, 2000) defines, ‘entrepreneur as a person who makes money by starting or running businesses, especially when this involves taking financial risks’. For the purpose of this current research, entrepreneurs will be of a type within the classification of SME proprietors.

Two case studies of the psychographics of SME proprietors and their motivations
A SME study of Hamilton and English (1993, p.3) classified three different types of business starters based on their self-images: the artisan, the classical entrepreneur and the manager. Table 4 describes the extent to which the self-image (which is formed by psychographics) of a SME owner determines the involvement in, and control over, his or her business operation. It also indicates the role of psychographics to the motivation of SME proprietors in their business operations and direction. For example, the Artisan’s motivation derives intrinsic satisfaction from what he or she does beyond a reasonable minimum level of financial security. This type of owner is classified as ‘owner-operator’ and the desired business size is up to eight or ten FTE employees.

<table>
<thead>
<tr>
<th>Self-image</th>
<th>Type</th>
<th>Motivation</th>
<th>Business Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Artisan</td>
<td>Owner-operator</td>
<td>Minimum financial return balanced with intrinsic satisfaction</td>
<td>0-8 or 10 people</td>
</tr>
<tr>
<td>Classical entrepreneur</td>
<td>Owner-manager</td>
<td>Growth within personal control</td>
<td>11-30 or 40</td>
</tr>
<tr>
<td>Manager</td>
<td>Owner-director</td>
<td>Greater growth with status and power</td>
<td>over 40</td>
</tr>
</tbody>
</table>

Source: Adapting Hamilton and English (1993, p.4)

The Classical Entrepreneur will be disinclined to strive for a larger size and want most of all to maximise profit while retaining personal control of all aspects of the
operation. This type of proprietors is called an ‘owner-manager’ and the business employs up to thirty or forty employees. Final, the Manager places most emphasis on the structure and size of the operation and is motivated by status and power over others. This type is an ‘owner-director’ and the business employs over forty (Hamilton & English, 1993; Cameron & Massey, 1999). As such, it is suggested that the SMEs’ performance must be studied in the light of the proprietors’ goals and expectations to the business and their personal life (Newby et al, 2003).

In another study of SME motivations, small businesses were segmented based on sets of values such as self-image, personality and business skills of the proprietors in the context of their family and business life (Culkin & Smith, 2000). It found that the different segments with different value sets had different business directions and operations. For example, the segment ‘the enlightened partners’ “will take a much more progressive, outward position” in their business. Usually, they are entrepreneurial types who are keen to market and develop their business, expand into new areas, ... they are relatively well educated and often, interestingly have previously been senior employees in larger organisations” (Culkin & Smith, 2000, p.6).

The two studies demonstrated some directions for the current research how about to study SME performance and performance measurement. As such, there is a need to obtain an overall framework for the relationship of all the personal characteristics of SME proprietors with their behaviours about viewing and measuring business performance within their contextual environment such as family and business. The social contexts of family and businesses are suggested to be helpful when studied in the frame of life cycles.

**Stages of Life Cycle of SME proprietors**

The term ‘life cycle’ refers to the progressive stages through which individual proprietors and their families and businesses proceed over time. In this research, two relevant life cycles are SME proprietors’ family and business cycles.

- **Stages of Family Life Cycle**

According to Lawson et al (1996), a traditional family life cycle, which was first developed by Joseph Rowntree in 1993 to describe economic cycles of an individual and his/her family, identified nine stages: bachelor stage, newly married couples, full
nest I, full nest II, full nest III, empty nest I, empty nest II, solitary survivor I and solitary survivor II. In New Zealand, it is necessary to make some minor adjustments to this classification due to the small population and the insufficient numbers of people in the solitary survivor I stage (Lawson et al, 1996). As such, the current research adopted eight stages as follows.

1. Bachelor stage: young, single people
2. Newly married couples: young, no children
3. Full nest I: young married couples with youngest child under six
4. Full nest II: young married couples with youngest child six or over
5. Full nest III: older married couples with dependent children
6. Empty nest I: older married couples with no children living with them and household head in labour force
7. Empty nest II: older married couples with no children living with them and household head retired
8. Solitary survivor: older retired single people

It was shown that individuals at different stages of their family cycle have different economic and development needs, goals and lifestyles. For example, newly married couples generally have better finances than young bachelors and full nest stages. Newly married couples are likely to be working and have an active life (Lawson et al, 1996).

It is evident that family life cycle has been used heavily in segmenting markets (Lawson et al, 1996). The framework is useful for the current research for understanding the impacts of the proprietors' family social milieux on their business motivations and performance.

➤ Stages of Business Life Cycle

Like people, destinations and plants, a business as an organisation has a life cycle. Hence, it is relevant to study small tourism business' progression through the theory of organizational life cycle (OLC) (Rutherford, 2001). According to the OLC theory, a business develops through several stages. It has been identified that the number of stages (from three to five) varies with different authors (Utoomporn, 2000). Overall, a business generally goes through five stages of birth, growth, maturity, decline, and renewal/death. The OLC theory of life also suggests that businesses undergo a
sequence of transformations in their design characteristics, which enable them to face
the new tasks or problems that growth elicits. However, Utoomporn (2000)
suggested that one organisation’s life cycle is not tied to chronology. Unlike people,
organizations do not follow an inevitable life cycle. Mintzberg (1989, in Utoomporn,
2000) found that some organisations settled into particular forms for long time, while
others broke common sequences by reverting back to what seemed to be earlier
stages. Miller and Fresen (1984, in Utoomporn, 2000) found that while firms moved
generally from stages of birth to decline, they might skip stages or revert back to
previous stages.

2.3.5 Perceptions, Motivations and Behaviours of Performance in SMEs
An increasing number of researchers believe that the success of a business is
determined by a combination of the business owner’s motivation, business skills and
the supporting environment.

![Diagram](image)

Source: Adapted Figure 4 (Herron & Robinson, 1993, p.290) and Exhibit 4-12 (Ivancevich &
Matteson, 1993, p.167)

Figure 2 A simplified performance model in SMEs
Figure 2 depicts two sets of factors affecting individuals' behaviour and performance that will form the theoretical background for the research. Set one (individual) includes demographical factors, personality, abilities, perceptions and motivation. Set two (organisational) includes business strategy, resources, business structure and external environment outside of the business. The current research focuses on the relationships of factors in set one. The model (Figure 2) adapts the paper of Herron and Robinson (1993) in studying the effects of entrepreneurial characteristics on venture performance and the motivation theories of Ivancevich and Matteson (1993).

The role of personal characteristics of SME proprietors in forming motivation and goal setting

Important personal characteristics, including personality traits, demographics and family lifecycle status of the individual influence the nature of which goals and motivations are set (Maslow & Frager, 1987). In SMEs, these personal characteristics are even more influential since all the aspects of the business are determined by its owner. This recognises that the effects of personality traits and other personal characteristics of the SME proprietors on their business performance are mediated by motivation and moderated by ability (Herron & Robinson, 1993).

Entrepreneurial studies showed that an individual’s personality25 determines the commonalities and differences in the process of motivating, using skills and abilities, and forming the behaviour of the individual (Ivancevich & Matteson, 1993). For instance, successful small business proprietors are reported as having commonalities of “strong desire for independence, high levels of desire and energy, ability to set and achieve goals, ability to recognise commercial opportunities, toleration of uncertainty, competitiveness, self-confidence, persistence, not deterred by failure, ambition and optimism” (Hamilton & English, 1993, p.25).

Demographic factors include a number of individual differences that influence behavioural choices. The significant factors include socioeconomic background, nationality, educational attainment level, age, race and sex. For example, a middle-aged business owner may have different experiences, needs and, consequently, goals, beliefs and values in comparison with a younger businessman.

25 For definitions of personality, see Ivancevich & Matteson, 1993, p.98
Motivation and abilities determining business performance

In the model (Figure 2), motivation and abilities combine to determine behaviour (business performance). Motivation causes behavioural quantity whereas abilities and skills cause behavioural quality. In other words, motivation determines the extent of the effort a chosen ability or skill is exercised to. For instance, when behaviour is linked with a particular ability, motivation might be operationalized by the amount of time that behaviour takes place, by the intensity of that behaviour, or by some combination of the two (Herron & Robinson, 1993, p.289).

Further, because motivation changes while personality traits are relatively static, motivation must have additional antecedents that change. One of these antecedents is performance perception or performance expectation. The expectancy theory (Ivancevich & Matteson, 1993) stated that a person’s motivation to exert effort towards a specific level of performance is based on his or her perceptions of the association between actions and outcomes. Three critical perceptions (Figure 2) which contribute to motivation are presented as (1) the effort-to-performance expectancy. This refers to the person’s perception about the effort on his or her part that will lead to successful performance. For example, the more likely a person feels that he or she can perform at a given level, the more likely he or she will try to perform at that level and vice versa; (2) the performance-to-outcomes expectancy. This refers to a combination of a number of beliefs about what the outcomes of successful performance will be and the value or attractiveness of these outcomes to the individual. For example, the less likely a person feels that performance will lead to a desirable outcome; the less likely he or she will try to perform at the required level. In summary, the strength of a person’s motivation to perform effectively is influenced by the person’s belief that effort can be converted into performance and the net attractiveness of the events that are perceived to stem from good performance. Applied to the research goal, the theory suggests the importance of the perceptions of subjects in forming the motivation to perform.

"An ability is a trait (innate or learned) that permits a person to do something mental or physical. Skills, on other hand, are task-related competencies such as the skill to operate a lather or a computer" (Ivancevich & Matteson, 1993, p.83). As noted before, abilities and skills determine the quality of the performance. In other words, business proprietors, despite being highly motivated, still do not perform well if they do not have relevant abilities to perform well. As such, abilities and skills play
an equally important role in the motivation of the business owner's behaviour and performance.

**Concluding comment**

To draw closer to the research purpose from the above discussion, the research question remains that, firstly, how do tourism business proprietors see and define their business lifestyle and motivation?; secondly, in what ways might tourism SMEs measure their performance?. As reviewed above, factors such as business performance perceptions, past and present motivations, business skills and competencies, and personal characteristics were variables that the researcher would look for during the experiment of EVA.

**2.4 Chapter Summary**

This chapter discusses tourism's special nature; and tourism firms' current operations and measurements of performance. The findings of poor performance and lack of an effective metric of performance suggests the need for an effective performance measurement for enhancing the performance of the whole sector. The chapter also hints at an approach of how to go about achieving an operational tool for measuring SME tourism businesses in New Zealand. As a result of reviewing current performance measures and the EVA concept, an extended performance measurement model has been proposed.

The review of SMEs' complex characteristics helps the conceptual and methodological foundations for the research's data collection and analysis. Central to this is the concept that the personal characteristics, perceptions and motivation of the business proprietors influence their performance measuring behaviour and, hence, their performance behaviour. According to Ivancevich and Matteson (1993), a person's motivation for exerting effort towards a specific level of performance is based on his or her perceptions of associations between actions and outcomes. It emphasises the determining role of the personal factors of the business proprietors in the success of their business life as the boundaries between the proprietors and their businesses are blurred (Massey et al, 2004; Culkin & Smith, 2000; Newman, 1996). Further, the personal factors of SME proprietors reveal there is variation in their performance and success criteria according to each owner's beliefs of values. As such, it suggests that an effective way of finding a good performance measurement for the SMEs is to study the personal life of the SME proprietors and how the
personal life will form the way in which the business is run and the business
decisions are made based on their own perceptions.
Chapter III

THE RESEARCH AREA: AKAROA TOWNSHIP, NEW ZEALAND

3.1 A Regional Overview: Banks Peninsula

Chapter 3 presents a summary of the history and natural characteristics of Akaroa within the history of the Banks Peninsula region. The chapter illustrates that the understanding of the historical and natural characteristics of Akaroa Township is relevant to understanding the context of the research questions which are raised in the previous chapters.

A brief history of the Banks Peninsula region is presented first with the emphasis on the development state of the tourism businesses in the area. Banks Peninsula has total area of 107,597 hectares (Banks Peninsula District Statistics, 2005) with a population of 6,315 residents (SNZ, 2001). The region includes Lyttelton, Diamond Harbour, Governors Bay, Port Levy, Akaroa Township and Little River. Banks Peninsula has experienced four distinct waves of Maori migration spanning one thousand years before the arrival of European settlers (Fountain, 2002). The latter group was characterised by higher in organizational efficiency and war skills than the former (Pickering, 1992, in McKay, 2004). The last wave of Maori migration occurred during the eighteenth century and brought Irakehu, a hapu (subtribe) of Ngai Tahu, to the region (Fountain, 2002). This wave of settlement was the first to settle in Akaroa, and perhaps the most culturally prosperous of the early peninsula people. Their presence is still evident today (Lowndes, 1996).

Banks Peninsula Maori were constantly under threat from marauding enemy tribes, and for this reason, built defensive fortifications around Banks Peninsula. Numerous sites and taonga, or treasure, have been uncovered in the hills and caves around the Peninsula (Ogilvie 1992:12, 1994:11-12, in Fountain, 2002). In 1815, the first European sailors landed on the Peninsula for trading, whaling hunting, and shelter and rest (Lowndes, 1996). This opened a new era of ‘development’ or ‘consolidation’ in Banks Peninsula and Akaroa (for more details, see Fountain, 2002, pp: 71-112).
Today, Banks Peninsula is a popular region in Canterbury for tourism because it has unique natural resources that can draw a large number of tourists. The natural resources for tourism include native birds and mammals, volcanic heritage and landscape, agricultural and coastal landscape, early French, English and Maori settlements, lifestyle and communities. The district is promoting the sustainable management of natural and physical resources in which tourism is a main economic driver (Banks Peninsula District Plan 2002).
Figure 3 Map of Banks Peninsula and Akaroa

Source: Topomap New Zealand. (Scale 1:200,000)
Historic Places

- Langlois-Etevenaux Cottage & Akaroa Museum — this house is probably the oldest in Canterbury, circa 1846; it is furnished in the 1846 style and open to the public. It is located in the heart of Akaroa, where the Treaty settlement was established. The house has a museum that displays material relating to the treaty and the French settlement. Map ref: 1.
- The Gallery Akaroa — formerly a Power House, the Gallery is now a venue for concerts and exhibitions. Map ref: 5.
- Laube Hill — fine views of the township and harbour can be enjoyed after a short, steep walk. Map ref: 6.
- Early Customs House — this pit-sawn and sod-lined building dates from the 1850s. Map ref: 8.
- Garden of Time — tracks lead to the Historic Anglican, Roman Catholic and Presbyterian cemeteries. Map ref: 11.
- The Lighthouse — completed in 1878, this historic landmark was transported from the Heads to Akaroa in 1880. Map ref: 12.
- Britomart Monument — commemorates when the British proclaimed sovereignty over the South Island. Map ref: 15.

Churches

- St Peter's Church — built in 1865, transepts added in 1877. Map ref: 2.
- St Patrick's Church — site of first Mass in South Island by Bishop Pompallier, built 1864. Map ref: 3.
- Trinity Church — first Presbyterian service held in 1857, this church opened 1868. Map ref: 4.

Walking

- The Akaroa Civic Trust has produced a book called Akaroa Historic Area Walk, which gives detailed backgrounds to 45 old buildings. The walks described take approximately 2 hours.
- The Akaroa Information Centre has many brochures detailing walks in the township and on the Peninsula.
- Reserves on Banks Peninsula: Scenic Reserves with good walking tracks include Ellangowan, Oakapurua, Raglan, Montgomery Park, Okai Valley and the Garden of Time.

Facilities

- Boat Launching, Parking and Bowling Club Rue Brittan. Map ref: 16.

Source: Akaroa Visitor Information

Figure 4 Map of Akaroa Township
(a) Akaroa Township from the top view

Source: Rob Driessen Photography, 2005

(b) Rue Lavaud

Source: Rob Driessen Photography, 2005

Figure 5 Photos in Akaroa Township (a)
(c) Main Wharf, a main tourist place in Akaroa

(d) Akaroa Village Inn, a new but popular business in Akaroa

Figure 6 Photos in Akaroa Township (b)
(e) Swimming with the Hector’s dolphins

Source: Rob Driessen Photography, 2004

(f) Black Cat Group, the 2004 Tourism Award Winner

Source: V. T. Nguyen, 2005

Figure 7 Photos in Akaroa Township (c)
3.2 Akaroa Township

3.2.1 History and Physical Geography

Akaroa Township is located 85 kilometres away from Christchurch, New Zealand, and is situated within French Bay on the shores of Akaroa Harbour. In 1838, a French whaling captain ‘bought’ Banks Peninsula from the local Maori. In 1840, he, with other French colonists, came back with intentions to make New Zealand a colony of France. They found that in the meantime New Zealand had been annexed by the British in the Treaty of Waitangi, but they still decided to put the colonists ashore at Akaroa, which became a small town with French connections in a British colony (Tremewan, 1990). Beside the British and the French, there were other European nationalities including the Germans who also settled in Akaroa at that time.

As the settlements of Akaroa Township were formed with improved communication and transportation between the Akaroa Township and Christchurch, the town became a popular destination for Christchurch residents, who were attracted to the town’s warm climate and rural charm (Shone et al., 2003). Perhaps this was the reason why, by 1920, Akaroa became known as the ‘Riviera of Canterbury’ (Lowndes, 1996).

Today Akaroa Township, whose physical setting is largely the result of the ancient volcanic activities and subsequent erosion processes in Banks Peninsula (Simmons et al., 2003), is home to a permanent population of 57626 residents. This figure represents 9.1 percent of the Banks Peninsula population, and less than 1.8 percent of Christchurch’s usually resident population. The local Maori origin in Akaroa is evident in the meaning of the names for Maori places; for example Akaroa means ‘long vines’ and Onuku - a beautiful slope running down to the Akaroa Township harbour - means ‘rainbow’ (Keegan, 1983).

Beside the Maori origin and British settlement, the town inherits much of ‘the French Connection’ in its streets, architecture and artworks named in French, for example many streets in the town are named in French (see Figure 4b). Akaroa is also the home of the rare Hector dolphins in New Zealand, which makes it a unique tourism product. Extensive views from the township across the harbour to its western shores, French connection within British acculturation and the Maori origin

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contributes to its aesthetic and cultural appeal, which draws many tourists to visit today.

### 3.2.2 Akaroa Township’s State of Tourism and its Economic Impacts on the Township

In 2002 there were 55,600 international visitor visits with 38,300 visitor-nights to Akaroa, while there were 64,500 domestic visits with 107,000 nights (Figure 8). Figure 8 shows an increasing trend of the number of visitors to Akaroa in all four accommodation categories: Day, Night, Domestic and International for the period of 2002-2005. Although the annual growth rate trend for this period was not rising consistently, the continuously positive increase of 6 percent in the number of guest nights (total) more for Akaroa from 2002 to 2005 demonstrates that there will be an increasing demand in tourist products of Akaroa in the next few years.

![Figure 8 Numbers of Domestic and International Visitors to Akaroa in 2002-2005](image)

Table 5 shows that Akaroa received a large number of domestic visitors from Christchurch and Canterbury who did not usually stay overnight or use paid accommodation.

<table>
<thead>
<tr>
<th>Table 5 Tourism Economic Demographics of Akaroa Township in 2003</th>
<th>Day visits</th>
<th>Guest nights&lt;sup&gt;28&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Domestic</td>
<td>International</td>
</tr>
<tr>
<td>Average spending per visitor</td>
<td></td>
<td>$53.50</td>
</tr>
<tr>
<td>Number of visitors</td>
<td>64,500</td>
<td>55,600</td>
</tr>
<tr>
<td>Total 2002 direct ($M)</td>
<td>$20.70</td>
<td>$3.70</td>
</tr>
<tr>
<td>Value Added ($M)</td>
<td>$6.00</td>
<td></td>
</tr>
<tr>
<td>Household Incomes ($M)</td>
<td>$3.80</td>
<td></td>
</tr>
</tbody>
</table>


<sup>27</sup> A visit is defined as a trip to a location at which one or more consecutive nights was spent (Tourism Recreation Research and Education Centre (TRREC), 2003).

<sup>28</sup> Guest nights in both commercial and non-commercial accommodation are combined in Table 11 and 12 in Appendix I.
It is difficult to obtain similar statistics for visitor numbers to Akaroa in the years following 2002 due to the unavailability of research and data. Therefore, the estimate visitor numbers were calculated by scaling up the 2002 ratios to an estimate annual rate of change for each year accordingly (Figure 6, also see data and calculations in Table 11 and 12 in Appendix I).

**Tourism impacts on Akaroa**

The recent tourism growth in the Akaroa Township has lead to a noticeable expansion of the town’s residential areas for holiday and retirement homes, which has had the effect of significantly increasing property values in the town. This has lead to the subsequent creation of directly or non-directly related tourism facilities, service centres, attractions and activities. The three following claims demonstrate the modern tourism state of affairs in Akaroa Township:

"As a sign of Akaroa’s changing role from a rural support centre to a tourist town, the old Post Office building now houses the Visitor Information Centre, the Electricity Board service centre has been replaced by another café, and the premises previously home to the last general drapery in Akaroa has reopened as the ‘Dolphin Experience’ souvenir shop …" (Fountain, 2002, p. 120).

“They are going to build a new wharf, similar to the Main Wharf, to the end of the town. That is good for us” (C2941(2), May, 2004).

“There will be a new restaurant opening on the Main Wharf soon” (C2941(1), 10 September, 2005).

While tourism becomes of significant importance of the local economy, there are subsequent declines in the traditional fishing and agricultural industries (Fountain, 2002; Simmons et al, 2003).

“The closure of businesses serving the needs of farmers and local residents has been tempered by the establishment of new businesses catering for the visitor industry” (Fountain, 2002, p.120).

A TRREC study (Butcher et al, 2003, p. ix) reported that while half of all jobs in the Township were involved, either directly or indirectly, in tourism, Akaroa had the lowest tourism multipliers but was the most tourism-dependent centre among

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29 It took the TRREC team a year to collect the statistics in Table 5 (G. Butcher, personal communication, 2005).
Christchurch, Kaikoura, Westland, Rotorua and Akaroa, which were the chosen areas of TRREC studies. This was because the economy of the town was undiversified and heavily depended on tourism (Butcher et al., 2003). In addition, the increase in tourism demand and the decline of the traditional primary industries have placed an increasing strain on the infrastructure of Akaroa, particularly on the water supply and sewage treatment system for both residents and tourism activities (Simmons et al., 2003; Akaroa business proprietors, personal communication, 2004). In this context, the question of the performance of tourism businesses raised is the background for the current research objectives.

Akaroa Township was chosen as the research area because, in important ways, the area provided a useful pilot area for larger studies since it is a ‘typical’ tourist town in New Zealand.
Chapter IV

METHODS

4.1 Introduction

Chapter 4 begins with a theoretical discussion of the methodological approach employed in the research. It will then be followed by a detailed justification of research types and specific research methods selected; a description of the sampling method; and a detailed narration of actual field data collection and issues which emerged. Finally, the chapter will describe the methods by which data were analysed and reported.

Tourism is a social phenomenon and studies of tourism that are usually problematic can be amendable when viewed using a wide range of social orientations (Simmons, 1985). Within a sociological perspective, tourism research sets out to understand the social world in different interpretative positions. This study focused on the personal motivations and behaviours of tourism proprietors within their businesses in which they lived out their daily lives. In this sense, therefore, the study of business proprietors' motivations and their views of business performance and measurement are amendable to study from a social perspective.

A sociological investigation is often undertaken within three interrelated activities: theory, research and substantive interest (Denzin, 1989). Further, the literature in sociology also shows that there were two main approaches to conducting a social investigation: top-down and bottom-up that use these three activities. Denzin (1989), advocating Mills' proposal (1959), suggested a hierarchical order of theory, methodology and research activity, hereafter called a 'top-down approach'. He claimed that methods needed to be based on relevant theories and when the researcher moves from the relevant theory to the selection of methods, there will see an emergence of a process, called research activity. However, the objectives of the present exploratory research were best studied by adopting a 'grounded' or 'bottom-up' approach (Glaser & Strauss, 1967) since the grounded approach, with loosely structured research designs, allowed theoretical ideas to 'emerge from the field in the course of the study' (Miles & Huberman, 1994, p.17). Hence, the present study
moved progressively from the investigation of the practical world to a development of theory, wherein research methods and a research activity programme was developed.

In this exploratory research, a qualitative approach designed within a pragmatic and triangulated framework is argued to be an appropriate pathway to achieving the research purpose and goals. "Pragmatism" has been shown as a useful umbrella under which research methods were 'reflective' or 'learnt' in each phase of the research. Further, the research context indicated that integrations of multi-research types and methods were necessarily applied to all stages of the research process (design, data collection and analysis). In essence, such integrations were necessary to increase the validity and understandings of the research problems (Seiber, 1973, in Simmons, 1989). This enabled every phase of the research process to remain flexible, allowing comprehensive and rich insights in the participants' perspectives of their business lives (Lofland & Lofland, 1995).

4.1.1 Pragmatic Approach
According to Beck (1969 in Johnston, 1986, p.59), pragmatism 'defines meaning and knowledge in terms of their function in experience, with reference to adjustment and the resolution of problematic situations'. Regarding this part of the research, the successive refinements of methods of data collection were required since the research was based on little knowledge of tourism business managers' interpretations of their performance measurements. Further, the research topic of financial data was sensitive (Sieber & Stanley, 1988 in Lee, 1993; Farquhar, 2001) and trust was important (Lee, 1993; Moran, 1999), and also, the researcher faced a high level of unfamiliarity and difficulties with the unknown settings and subjects during the data collection (Lofland & Lofland, 1995; Moran, 1999; Simmons, 1985).

Many small or medium-sized firms (SMEs) have hesitated to disclose their financial information to the public as they perceived the risk of losing their competitive edge over their competitors (Farquhar, 2001 in Barbour et al, 2001) while others viewed accounting as possessing some special personal meaning and organisational culture (Dent, 1991). Because of the threat the research might pose, the researcher faced difficult methodological and technical problems in seeking access. Trust, it was learnt, needed to be established as a prerequisite to access (Lee, 1993; Moran, 1999).
The researcher often had to use different indirect methodological approaches in the establishment of an adequate level of trust before conducting the main research phases. For example, a workshop and financial exercises between the researcher and business proprietors contributed to a level of trust that resulted in a higher acceptance of disclosing financial reports in the study. Correspondingly, the research needed a flexible and successively ‘reflective’ approach. That is, the design of each successive data collection phase was necessarily based on the ‘reflective’ lessons from the real experience of the previous phase (Simmons, personal communication, 2004). Hence, it was necessary for the exploratory research to develop and refine a pragmatic approach at each phase of the research process.

Elsewhere, Moran (1999) found that a pragmatic approach offered a greater opportunity for successive refinement of the implementation of methods and the range and types of data that were collected during his field research, which enabled him to gain access to his participants’ ‘layered’ perspectives of their motivations for travel. Hence this reinforced the argument that the pragmatic approach provided valid access to insights about the participants’ perspectives in the current study (Moran, 1999; Simmons, 1989).

4.1.2 A Triangulation of Qualitative and Quantitative Approach

A qualitative approach has been favourably employed in many social and behavioural studies such as studies of perceptions, attitudes and motivations (Denzin & Lincoln, 2003; Van Maanen, 1983; Marshall & Rossman, 1989; Mason, 1997; Babbie, 2001). This suggested an initial approach of using a more qualitative approach in the research.

The research objectives required depth and detailed data about the SME proprietors’ awareness, perceptions, motivations and evaluation of performance and values that underpinned their ways of describing and interpreting their business and personal world. Correspondingly, the methodology needed to produce detailed descriptions of contexts, situations, interactions or observed behaviour of the interviewees, and direct quotations about their experiences, attitudes and beliefs. These strongly suggested that the researcher should employ a more qualitative approach.

The qualitative approach in essence integrated different qualitative methods that ‘usefully explore and record ... thoughts, [perceptions, attitudes,
evaluation]...providing a richness of information insights, and feeling (high validity) not readily achievable from quantitative studies' (McIntosh, 1998, p.123). Elsewhere, Denzin (1989) called this method as 'within-method triangulation'.

However, the researcher was also aware of the fundamental tension of the trade-off between internal validity (validity or depth) and external validity (reliability or breadth) of the data available from the different methods used. For instance, although qualitative data seems to provide depth and detail (high validity) it may not generalise to the whole population (low reliability) (Babbie, 2001). In addition, qualitative data may be difficult to analyse and present because it is less quantifiable than quantitative data (Todd, 1999). Fielding and Fielding (1986 in Denzin, 1989) argued that integration of theories and methods needed a particular focus of adding breadth or depth to the analysis. Elsewhere, Denzin (1989, p. 247) advanced this argument by suggesting a strategy that involved using many data sources to resolve the trade-off, based on a principle of 'triangulation' such as:

"Combining multiple observers, theories and methods and data sources (social scientists) can hope to overcome the intrinsic bias that comes from single method, single observer, and single theory studies".

Hence, the current research also integrated the qualitative methods with appropriate quantitative methods, which Denzin (1989) called 'between-method triangulation'. The two types of 'triangulation' in the research aimed to compensate for weaknesses in the use of a single method or approach and to provide alternative data on the same phenomena (Smith, 1983 in Simmons, 1989). The research therefore used a mix of qualitative and quantitative methods (in-depth interviews, workshop, document analysis and Likert-scale questionnaires) to gain different data sources of the research subjects’ perspectives.

4.2 Choice of research types and research methods

It is important to discuss the selection of research types and research methods because their selections shape the validity and reliability of data. Table 6 outlines the tension between the depth and breadth of the data among five principle research types. To illustrate, surveys have stronger reliability than field research and experiments while qualitative research has greater validity than surveys.
### Table 6 Characteristics of observation modes in social science research

<table>
<thead>
<tr>
<th>Research types</th>
<th>Appropriate Topics</th>
<th>Research Design</th>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiments</td>
<td>• Determining causation</td>
<td>• Experimental designs • Quasi-experiments&lt;sup&gt;31&lt;/sup&gt;</td>
<td>• Isolation of experimental variable and its impact</td>
<td>• High level of artificiality (except natural experiments)</td>
</tr>
<tr>
<td>Surveys</td>
<td>• Measuring attitudes &amp; perceptions</td>
<td>• Questionnaires • Structured interviews</td>
<td>• Strong reliability • Strength in measurement</td>
<td>• Weak validity</td>
</tr>
<tr>
<td>Qualitative field research</td>
<td>• Research within natural settings; social process over time</td>
<td>• Participant observations • In depth interviews • Focus groups</td>
<td>• Strong validity</td>
<td>• Poor reliability • Access is challenging</td>
</tr>
<tr>
<td>Evaluation research</td>
<td>• Evaluating effects of social ‘interventions’</td>
<td>• Quasi-experiments • In depth interviews • Questionnaires</td>
<td>• Comparable results</td>
<td>• Difficult to measure validity</td>
</tr>
<tr>
<td>Research using available data</td>
<td>• Any research that makes use of available data</td>
<td>• Historical analysis • Content analysis of texts</td>
<td>• Cheaper and faster • Non reactive to changes</td>
<td>• Low confidence on validity • Permission issues</td>
</tr>
</tbody>
</table>


In this regard, the researcher adopted qualitative field research as a principle approach mode for data gathering. Correspondingly, the researcher employed semi-structured interviews as the principle research method. However, there remains a requirement to integrate other supporting research such as experiments, surveys and evaluations into the principle mode. Hence, the research also adopted other research methods: workshop, document analysis (financial session), participant observations and Likert-scaled questionnaires. The following sections will justify ‘Why’ particular research methods were employed within various phases of the data collection process.

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<sup>30</sup> For a detailed description of different experiments, see Chapter 8, The Practice of Social Science, Babbie (2001, pp. 216-236).

<sup>31</sup> For a detailed description of quasi-experiments, see Chapter 9, Experiments-Research Methodology in Marketing, Patzer (1996, pp. 100-115).
4.2.1 Interviews
The four main types of interviews in social research are structured interviews, semi-structured interviews, unstructured or in depth interviews and group interviews. Given the type of data required in this research, unstructured interviews allowed the researcher to best access the interviewees' perspectives. This is because the format of unstructured interviews allowed the exploration of open-ended topics that were not predetermined by structured questions. However, for making the data analysis more systematic and consistent, semi-structured interviews provided the researcher with some guided questions (Appendix B: E) to start with and then developed in-depth conversations with the research subjects to clarify and elaborate the answers.

Under a 'triangulation' approach, the mix of unstructured and semi-structured interviews allowed the research subjects to express their ideas in their own terms within some structure provided by the guided questions. As such, the interviews were designed in a way that utilised the strengths of both semi-structured and unstructured interviews so that flexibility and informality were obtained during the data collection while some structures still remained. Such integration enabled the researcher to collect the data using a qualitative approach and produced rich qualitative data as the research required.

Further, the interviews were conducted as one-to-one encounters rather than groups because the study topic was sensitive. If the business managers felt at risk from disclosing their financial information in the presence of their competitors, group interviews would have impacted the validity of the data required.

4.2.2 Workshops
A workshop was intended to provide the participants with knowledge of the performance metrics and, especially, EVA before they participated into the evaluation interviews. The workshop also offered the chance for the researcher to develop more trust with the research subjects because, as identified, trust was the passport to accessing the financial information of the firms and their subsequent disclosure of performance measurements.

4.2.3 Document Analysis (Financial Session)
Analysing the financial documents of the firms was conducted for two purposes. First, it was necessary that the researcher analysed the financial statements of the
firms because the analysis helped the identification of the adjustments for the EVA framework that would be presented to the firms for evaluation later in the research.

Further, through the document analysis, the researcher had an opportunity to ask the research subjects questions about their interpretations of their accounting statements. Hence, their view of performance measures was revealed in context. Second, the process of accessing financial information produced valuable information about the resistance level of the firms to participating in the research process. This information will be useful to future research that is also concerned with gaining access to financial performance within the tourism sector in New Zealand.

Participant observation was also used to assist collecting data during the interviews, workshop and document analysis. In essence, observing or studying the behaviours of the researched in their natural settings helped enrich and verify the data and its validity (Denzin, 1989).

4.2.4 Likert-scaled Questionnaires

A Likert-scale questionnaire was used as a facilitating instrument to the semi-structured interviews to produce comparable and alternative data sources to elaborate and ‘anchor’ the participants’ perspectives. The Likert-scale questionnaire allowed the researcher to judge the intensity of the idea, disagreement or agreement while the semi-structured interviews obtained the data in a rich or qualitative content. The use of both helped the researcher to obtain rich and in-depth data that was able to be presented in a structured way.

4.2.5 Framework of the research

Given the above discussions, a framework of the research processes was developed. The framework provided the researcher with a guide to organising and conducting the data collection phases and data analysis. Figure 7 describes the relationships among the different phases of the research process (indicated by the arrows), presented in the form of the research activities conducted in the research: the New Zealand tourist industry analysis, the Akaroa tourist sector study, the current research’s data collection and a measurement framework for the New Zealand sector.
Within the framework there were the input-output relationships (or horizontal relationships indicated by numbered arrows) between the methods employed and their corresponding objectives. To illustrate, in the first relationship (1a-1b in Figure 7), semi-structured interviews were used to develop an initial understanding of the tourism business proprietors and their knowledge of the EVA. More importantly, the interviews sought to establish some rapport between the researcher and the
researched for the successive research phases. Similarly, the methods followed were used to achieve the corresponding numbered objectives in the white box.

Further, each step (including methods employed and their corresponding outcomes) was vertically related in a way that each horizontal level formed a component of a quasi-experiment (I-II-III in Figure 7). Basically, the design of a quasi-experiment (Patzer, 1996) allowed the researcher to study only one sampled group (i.e., omitting a control group) within the resource constraints and the nature of the research. In the present research, a treatment of the EVA calculator, which was successively refined in various phases (Appendix G), was 'tested' on the same group of sampled proprietors. From the framework, the data collection was conducted in 2004 in the following phases:

Table 7 Phases of the data collection

<table>
<thead>
<tr>
<th>Phase</th>
<th>Name</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gaining acceptance of the small tourism proprietors</td>
<td>26 Apr – 14 May 04</td>
</tr>
<tr>
<td>2</td>
<td>Initial interviews</td>
<td>18 – 26 May 04</td>
</tr>
<tr>
<td>3</td>
<td>Workshop – “the intervention”</td>
<td>4 June 04</td>
</tr>
<tr>
<td>4</td>
<td>Accessing the financial data of the proprietors</td>
<td>18 Aug – 27 Aug 04</td>
</tr>
<tr>
<td>5</td>
<td>Preliminary data analysis and feedback to the tourism proprietors</td>
<td>10 Sept – 30 Sept 04</td>
</tr>
<tr>
<td>6</td>
<td>Evaluation interviews</td>
<td>Feb-Mar 05</td>
</tr>
</tbody>
</table>

4.2.6 Summary Comment

Denzin (1989) argued loosely structured interviews were human interactions because they involved two strangers to establish relationships or share knowledge. All the above methods were used to access the business managers' perspectives. For this to be successful, it was hence necessary to adopt an interactive approach that promoted active two-way communication between the researcher and the business proprietors.

4.3 Sampling

4.3.1 The choice of sample tourism businesses and owners-managers

Eighteen tourism proprietors were randomly selected from the Banks Peninsula Product Directory 2003–2004. They were categorised into the six main businesses (three in each category) that make up the tourism industry. They were transport, attractions and activities, accommodation, café and restaurants, retail and manufacture, and farm stay. This followed the categorisation of the tourism industry in the TSA 2004 (SNZ, 2004). For the confidentiality, the names of the businesses
were not identified at any stage in this research; instead they were recorded under their New Zealand Standard of Industry Classification (NZSIC).

The main method to recruit the sample of the research subjects was by telephone due the geographical distance between the researcher and the research subjects and time constraints of the research. In order to gain the research subjects' perspectives, the target sample were individuals who were in charge of financial and accounting activities of the firms and who were the main decision makers, hereafter called business managers. It was assumed that they were the best individuals in the firms who had a reasonable knowledge of performance measures and had some influence on what performance framework was used in the firms. Hence, the sample included the owner-managers of the sampled firms.

Initially, the professional finance/accounting advisers of the proprietors were also identified as potential interviewees for the research questions. They were identified because 90 percent of SMEs in New Zealand used external accountants and financial advisers for their accounting activities and some investment advice (Cameron & Massey, 1992). However, the researcher was able to only access the owner-managers and the identification of their accountants' contacts was not disclosed to the researcher. Hence, the sample was the owner-managers whose characteristics were identified.
4.3.2 Response rate

Table 8 reports the response rates in all phases of the data collection. Because data collection included six phases with six separated data collection activities, the researcher had to recruit the sample for each phase independently as the research progressed. The rule was that the researcher conducted recruitment for each phase based on the number of proprietors available after the previous phase. The disqualified subjects for recruitments were those who had not participated in the previous phase, except the workshop.

<table>
<thead>
<tr>
<th>Table 8 Response Rate</th>
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<tbody>
<tr>
<td><strong>Response Rate</strong></td>
</tr>
<tr>
<td><strong>P (n_i)</strong></td>
</tr>
<tr>
<td>Initial Interviews (n =18)</td>
</tr>
<tr>
<td>EVA Workshop (n = 12)</td>
</tr>
<tr>
<td>Financial session (n = 12)</td>
</tr>
<tr>
<td>Evaluation Interviews (n = 8)</td>
</tr>
</tbody>
</table>

Notes: A (Agree to Participate); P (Actually Participate); Y (Say Yes); N (Say No); n (Sample Size)

In the initial interviews, 12 out of 18 proprietors agreed and actually participated in the interviews. In the later data collection phases, the response rates reduced and there were variations between the rates of agreeing to participate and the rates of actual participation.

In the EVA workshop, although 12 out of 12 proprietors (available from the initial interviews) agreed to participate in the workshop, only 6 of 12 actually attended the workshop. Similarly, in the financial session, 9 out of 12 agreed to participate but only 8 out of 12 actually brought their financial statements to the session. In the evaluation, 7 out of 8 managers attended the two-hour interviews.

4.4 Data Gathering

This research served as an exploratory or pilot study for future studies. This section will, therefore, be devoted to a narration of what and how data collection was conducted. Within a pragmatic framework, research methods are successively refined from lessons learnt from the experience of the previous phases. As such, the sections below are narrated in the timing order of objectives, processes and findings.
4.4.1 Gaining access to the firms and prior preparation

Gaining access was revealed as the most challenging issue throughout the entire research, especially to a sensitive topic like financial information of SMEs. Hence, the preparation prior to seeking the access was important for the researcher as a 'stranger' accessing the business proprietors' perspectives and financial information.

Mindful of the difficulty of the research area and the characteristics of the sector, the researcher had to obtain assistance from her supervisors who were better known to the sector to gain acceptance from the sampled firms. The researcher then followed up with the proprietors who agreed to participate in the first research interviews. To establish some initial relationships with the research subjects before entering the field, the researcher communicated with them about what she was doing, and who she was by various means: telephone, mailing documents (Appendix A) and several informal visits to the Akaroa Township.

Confidentiality was serious for this research area, especially as the research subjects had to be assured that there was no risk that any of their financial information would be publicly revealed or would an individual business be identified in the thesis report. The research subjects were also assured that no one except the identified research team could access the records and/or taped transcripts (Appendix A). The researcher also identified the human research subject ethical approval of the Environment, Design and Society Division at Lincoln University of confidentiality, anonymity and voluntariness.

4.4.2 Initial interviews

A series of twelve semi-structured interviews were conducted on the 18th, 19th, 24th and 26th of May, and 11th of June 2004 at the business sites of the proprietors. The first goal was to gain initial understanding of the sample’s characteristics, their business motivations and general knowledge of performance metrics.

**Objectives**

a. To develop rapport between the researcher and the informants
b. To gain understanding about the business proprietors’ characteristics and motivations
c. To gain first understanding of the proprietors’ knowledge about business performance; and performance measurements
d. To gain understanding of the proprietors’ perspectives about their tourism business use of public goods
e. To determine the successive research methods

**Processes**

To achieve these objectives, the researcher designed informal and semi-structured interviews with open-ended questions. At the interviews, some informal conversation was accommodated to gain in-depth information. Each interview lasted about one hour.

Despite careful attempts, the first encounter between the researcher and the researched was still cautious. The researcher not only faced understanding another stranger but also her new setting that represented the new stranger’s world.

The interviews held on the business sites of the SMEs had both advantages and disadvantages. This helped the researcher observe the real business activities of the researched and his/her behaviours. However, this caused many difficulties for the interviews. Most of the SMEs did not have private offices. The front of the businesses was used as for reception and product display as well as the office. Hence, there were many interruptions during the interviews such as telephones, bookings, selling, noise, etc. This was because the proprietors were also involved in many aspects of customer service in their businesses. In some cases, the interviews were held in the proprietors’ workshop which created difficulties to the process of the interview. In one case, the researcher did not have enough chairs or a table. In another case, the researcher did not catch what the researched said because of machine noises in the shop. The difficult interview settings impacted on the quality of the interviews, for example, bad quality of recorded tapes.

In most cases, it took a while for the research subjects to free themselves from their current work and to settle down to the interviews. In a few cases, the research subjects seemed not able to concentrate on the conversation because his/her eyes were busy watching out for customers. In those cases, the researcher tried to be calm and patient and re-ask the preceding questions.

These incidents above tended to happen during the first half hour of the interview. It took time for a mutual understanding to develop between the research subjects and the researcher about the research goals and aims.
In the second half of the interview, the interview was usually more interactive and conversational because some rapport was established. This half was the time that the researcher could start to ask questions and develop conversations with the researched. The researcher asked the subjects about their knowledge and perspectives of public goods in their tourism business activities, performance measuring, accounting activities and EVA (Appendix B). Not all questions in the Appendix were used to aid the flow of the conversations. The researcher, nevertheless, used a checklist of topics to make sure that important research questions were covered in the conversations. Finally, the researcher invited the researched to attend the EVA workshop that would be held on the 4th of June 2004 in Akaroa. All interviewees agreed to attend the workshop.

Findings
Although the researcher gathered the data during May-September, a low tourist season in Akaroa, and attempted to get greater access to the proprietors’ timing, only twelve out of eighteen proprietors could participate in the initial interviews. Having a large number of participants in the initial interviews was important because the researcher would recruit the participants in the next phases based on who had participated in the previous phase.

Ten out of twelve proprietors had not heard or knew about EVA. Hence, the researcher found out that it was necessary to organise a workshop to talk about EVA and performance metrics of SMEs in the tourist sector. This became a prerequisite for the evaluation interviews.

The informants’ low knowledge of EVA and performance metrics hinted that the design of EVA framework should be simple and as familiar to the informants as possible. Hence, the EVA framework selected as a base for development was the New Zealand Tourism Awards Calculator (NZTAC).32

After encountering great difficulty in conducting the initial interviews in the business sites of the proprietors, the researcher found out that it would facilitate the quality of the data to organise a ‘qualified’ place for all the following workshops, financial sessions and interviews to avoid interruptions and noise.

32 This calculator adopted a similar concept and calculation as EVA. It was used as a benchmark for tourism business contestants in the Tourism Awards in 2003-2005 (www.tourismawards.co.nz).
4.4.3 Workshop – the ‘quasi-experimental’ intervention

Objectives

a. To gain more insight of business proprietors’ perspectives about their business operation and performance measurement
b. To provide proprietors with a knowledge of performance metrics and, especially, EVA; and with understanding about the current research project
c. To secure trust between the researched and the researcher
d. To recruit the participants for the financial sessions if possible

Processes

On the 4th of June 2004, six out of twelve proprietors attended the workshop held in the Akaroa Boating Club, Akaroa. The presentation in the workshop (Appendix C) introduced the EVA concept of Stewart (1991), and the extended EVA to the tourism sector, giving the background and examples of EVA in comparison with other performance metrics such as return of investment (ROI) and return of assets (ROA). For the creditability of the presentation, the researcher invited Mr. Jack Radford, a senior lecturer in Accounting, to talk about performance metrics like ROI, ROA, and profitability and, especially, EVA. Another speaker was Dr. David Simmons, a professor of tourism, who was invited to talk about the importance of the research to the current problems of the tourism industry. Finally, the researcher spoke about the elements of the extended EVA framework and its relevance to the sector’s current issues.

During the presentations, the participants asked questions and exchanged opinions about the presentations. These interactions helped secure trust that was a passport to the access to the financial information of the firms. Moreover, information from the discussions highlighted several additional contextual issues.

Findings

The researcher found that those proprietors who attended the workshop developed a greater trust and understanding to the research team. As a result, they were all willing to allow the researcher to access their financial statements in a subsequent research phase.

The findings from the workshop and the initial interviews hinted at several adjustments to the original EVA calculator of the NZTAC. In order to achieve an
appropriate performance metric for a SME, it was important to add the number of full time equivalent (FTE) proprietors involved and the normalised salary paid to the proprietors to the original NZTAC (Appendix G).

The observations of the researcher reinforced the notion that participants did not talk about individual financial information among other proprietors. However, definitions of values and value drivers in relation to their financial performance appeared to be a ‘dilemma’ and ‘controversial’ issues to SMEs. However, the workshop allowed little time for the participants to express their ideas in detail. They did however allow better refinement of the next data collection phase. Firstly, it was important to organise one-to-one financial session to access each individual firm’s financial information. Secondly, the researcher would raise questions about value and value drivers to the participants during one-to-one financial sessions.

4.4.4 Accessing financial information: one-to-one financial session

Objectives

a. To extract the financial information from individual tourism proprietors
b. To normalise their financial information
c. To access the proprietors’ perspectives about their performance in the contexts of their financial statements
d. To access the proprietors’ perspectives about value and value drivers in relation to the performance and success of their businesses

Processes

A series of seven financial sessions were conducted on the 19th, 20th August 2004 in a quiet room at the area school in Akaroa. Each session lasted about one hour. There were several reschedules of meetings for some of the business proprietors due to their business and family commitments. The participants were asked to bring their three-year financial statements. However, there was a variation in the number of years in the financial statements. Some participants had three-year statements while others had only one or less than one-year statements.

One operator cancelled their financial session due to business matters. She later sent her two-year financial statement to the researcher. In order to obtain some information about the normalised salary paid to proprietors, number of FTE proprietors and value drivers not recorded on the financial statements, the researcher briefly interviewed the operator by her cell phone.
During this phase there were several changes to the proprietors' situations. The business sites of two proprietors changed ownership while two proprietors sold their businesses. These events contributed to a higher level of resistance or lost interest to their participation in the research. The researcher decided to eliminate two proprietors (whose ownership changed) out of further research phases.

**Findings**

It was shown that SMEs’ financial statements, which were less standardised than large corporates’, reflecting different treatments that were specific to each business. In other words, the financial statements gave a questionable expression of performance of the proprietors’ businesses. Hence generalisation of the SMEs’ financial statements into a universal performance framework for all SMEs was extremely difficult. This revealed that a performance framework for an SME should be more flexible, and as simple as possible.

Increasing trust between the participants and the researcher provided the researcher greater access to further insights about their performance measurement. Hence, this helped the researcher to access to a better quality data.

**4.4.5 Financial data analysis and feedback to the firms**

**Objectives**

a. To provide some feedback of their firms’ performance to business proprietors
b. To provide an opportunity for the researcher to reveal the research results
c. To continue to secure trust from the research subjects

**Data Analysis**

The reports were based on the perspectives of the researcher and the proprietors about their business nature and the interpretation of their performance against the proprietors’ objectives and against the sector average (external objectives).

Summaries of the proprietors’ performance indicators and trends were drawn from the analysis of the financial information taken from their statements. The instruments used were adjusted NZTAC and Microsoft Excel. The information describing the businesses and the proprietors’ objectives was based on the analysis of the transcripts of the interviews, the researcher’s notes and the websites of the businesses.
Reporting back to the proprietors

A series of eight reports (Appendix H) had been completed and sent back to the business proprietors. The purpose of the reports was to provide some feedback to them and give the opportunity for the researcher to provide some preliminary data analysis and to continue to secure the trust with the business proprietors.

4.4.6 Evaluation interviews

Objectives

a. To gain insights of the business proprietors' evaluations of an appropriate performance measure
b. To investigate the proprietors' future use of performance measures

Processes

A series of seven one-to-one interviews were conducted in the library in Akaroa.

Qualitative Data Analysis

The type of data that the researcher chooses to obtain determines the approach and method of analysing the data. In general, for interview transcripts and text notes, the researcher selected either manual and/or computer assisted methods in his/her data analysis. The use of both methods was likely to achieve the best results of data analysis because both of them had different advantages and disadvantages that assisted different data analysis processes (Welsh, 2002).

At different stages in the research process, the researcher used a number of different data analysis methods. For designing and testing different modes of EVA calculators\textsuperscript{33}, Microsoft Excel was used. For the results analysis, the current study used both manual and NVivo\textsuperscript{34} to organise, code and analyse sets of 'text'\textsuperscript{35} transcripts from interviews. As an additional tool, the Statistical Package for Social Science (SPSS)\textsuperscript{36} was also used to organise, code and analyse the quantitative data from the questionnaires. As the main form of data set in the research was qualitative, namely language and text, the following section will discuss some of the processes

\textsuperscript{33} See a CD attached for the different modes of EVA calculator the researcher used to study the perceptions of the subjects.

\textsuperscript{34} There are a number of computer programs designed to deal with qualitative data. NVivo is one of the programs used in the current study. NVivo is a software package to aid qualitative data analysis designed by QSR. Its full title is NUD.IST Vivo. The NVivo version used in this study was 2.0.

\textsuperscript{35} NVivo works only on text, i.e., no pictures, tables or diagrams.

\textsuperscript{36} The SPSS version used in the study was 12.
how the researcher used to organise, code and analyse the data manually and by NVivo, which are summarised in the following table.

Table 9 shows that the researcher used NVivo mainly as an organising and analysing-assisted tool (Smith & Hesse-biber, in Welsh, 2002) rather than an analysing and interpreting one, for which the manual method was more useful, because the real heart of the analysis required an understanding the meaning of the texts, and that was something that computers could not be able to replace human element (Gibbs, 2002).

**Table 9 Using NVivo for qualitative data analysis**

<table>
<thead>
<tr>
<th>Tool and Process</th>
<th>Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manual coding</td>
<td>Overview of important themes</td>
</tr>
<tr>
<td>Text preparation by importing readable text (.doc→.rtf format) into NVivo programme</td>
<td></td>
</tr>
<tr>
<td>Putting text into ‘cases’</td>
<td>Organising appropriate type of data, e.g., interview and workshop text</td>
</tr>
<tr>
<td>Coding text as ‘nodes’ under ‘free nodes’</td>
<td>Organising big themes from the data results</td>
</tr>
<tr>
<td>Coding text under ‘trees nodes’</td>
<td>Organising smaller themes from the data results</td>
</tr>
<tr>
<td>Manual reading over each text document and coding paragraphs of text as memos under sub-themes in ‘trees nodes’</td>
<td>Evidence of the data for data interpretation</td>
</tr>
<tr>
<td>Printing the report of data under themes</td>
<td>Summary of data results</td>
</tr>
<tr>
<td>Manually making sense of themes</td>
<td>Interpretation of data results</td>
</tr>
</tbody>
</table>


Different from the quantitative data analysis, there were issues in the quality of the qualitative research such as validity and reliability. Validity and reliability referred to the degree to which the research represents a true picture of the setting under investigation and how far similar results would be obtained if the work were repeated even if different researchers were involved. In qualitative research, trustworthiness and credibility could be promoted, instead of validity and reliability, with the basis of the data and the references of a particular demonstration (Gibbs, 2002) that the NVivo brings to the quality of the research results.
Chapter V

PROFILES OF THE TOURISM PROPRIETORS AND THEIR BUSINESSES

5.1 Introduction

This chapter describes the proprietors participating in the study and their businesses against which the data results and discussions will be later set. Set one (demographics of individual business proprietors) includes age, gender, household incomes, business knowledge, tourism industry experience, stage of family life cycle, business motivation and type of proprietors. Set two (business characteristics) includes annual turnover, business size, ownership, stage of business life cycle and business motivation (Table 10 in the next page).

The sample included twelve proprietors who were randomly chosen from the six main tourism sub-sectors of transport, attractions/activities, accommodation, café/restaurants, retail/manufacture, and farm tourism, from the Banks Peninsula Product Directory 2003. In depth interviews were selected because they provided rich information about the personal characteristics, family and business situations of the business proprietors that were useful for understanding their business performance measuring attitudes and behaviour. However, they were often limited because they did not describe the characteristics of large populations.
Table 10 Profiles of the SME proprietors/managers and their businesses

<table>
<thead>
<tr>
<th>Demographic Characteristics (N = 12)</th>
<th>Number of proprietors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age</strong> (years old)</td>
<td></td>
</tr>
<tr>
<td>&lt;= 19</td>
<td>0</td>
</tr>
<tr>
<td>20 – 34</td>
<td>1</td>
</tr>
<tr>
<td>35 – 54</td>
<td>7</td>
</tr>
<tr>
<td>55 – 64</td>
<td>2</td>
</tr>
<tr>
<td>&gt;= 65</td>
<td>2</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>7</td>
</tr>
<tr>
<td>Female</td>
<td>5</td>
</tr>
<tr>
<td><strong>Household Incomes ($)</strong></td>
<td></td>
</tr>
<tr>
<td>Minimum</td>
<td>$17,000</td>
</tr>
<tr>
<td>Average</td>
<td>$54,000</td>
</tr>
<tr>
<td>Maximum</td>
<td>$150,000</td>
</tr>
<tr>
<td><strong>Business Knowledge</strong></td>
<td></td>
</tr>
<tr>
<td>Formal business/marketing background</td>
<td>4</td>
</tr>
<tr>
<td>No formal business/marketing background</td>
<td>6</td>
</tr>
<tr>
<td>Data Not Available</td>
<td>2</td>
</tr>
<tr>
<td><strong>Tourism Experience</strong></td>
<td></td>
</tr>
<tr>
<td>&gt; 10 years</td>
<td>8</td>
</tr>
<tr>
<td>&gt; = 4 and &lt;=10 years</td>
<td>3</td>
</tr>
<tr>
<td>No Experience</td>
<td>1</td>
</tr>
<tr>
<td><strong>Stage of Family Life Cycle</strong></td>
<td></td>
</tr>
<tr>
<td>Single parent with adult children living away from home</td>
<td>1</td>
</tr>
<tr>
<td>Couple with adult children living away from home</td>
<td>5</td>
</tr>
<tr>
<td>Couple living with young children</td>
<td>6</td>
</tr>
<tr>
<td>Couple living with no children</td>
<td>0</td>
</tr>
<tr>
<td><strong>Business Motivation</strong></td>
<td></td>
</tr>
<tr>
<td>Lifestyle</td>
<td>3</td>
</tr>
<tr>
<td>Maximum financial return</td>
<td>6</td>
</tr>
<tr>
<td>Survival</td>
<td>3</td>
</tr>
<tr>
<td><strong>Type of Proprietors</strong></td>
<td></td>
</tr>
<tr>
<td>Owner – Operator (Artisan)</td>
<td>8</td>
</tr>
<tr>
<td>Owner – Manager (Classical entrepreneur)</td>
<td>4</td>
</tr>
<tr>
<td>Owner – Director (Manager)</td>
<td>0</td>
</tr>
<tr>
<td><strong>Business Characteristics (N = 12)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Annual Turnover</strong></td>
<td></td>
</tr>
<tr>
<td>Minimum ($m)</td>
<td>0.05</td>
</tr>
<tr>
<td>Average ($m)</td>
<td>0.34</td>
</tr>
<tr>
<td>Maximum ($m)</td>
<td>0.80</td>
</tr>
<tr>
<td><strong>Business Size</strong></td>
<td></td>
</tr>
<tr>
<td>Average number of employees</td>
<td>5.7 FTE</td>
</tr>
<tr>
<td><strong>Ownership</strong></td>
<td></td>
</tr>
<tr>
<td>Company</td>
<td>8</td>
</tr>
<tr>
<td>Partnership</td>
<td>3</td>
</tr>
<tr>
<td>Sole trader</td>
<td>1</td>
</tr>
<tr>
<td><strong>Stage of Business Life Cycle</strong></td>
<td></td>
</tr>
<tr>
<td>Start-up</td>
<td>2</td>
</tr>
<tr>
<td>Development</td>
<td>3</td>
</tr>
<tr>
<td>Growth</td>
<td>2</td>
</tr>
<tr>
<td>Maturity</td>
<td>3</td>
</tr>
<tr>
<td>Decline</td>
<td>2</td>
</tr>
</tbody>
</table>
5.2 Demographic characteristics of sample business proprietors and their business situations in Akaroa

5.2.1 Age

'Age' was an important determinant of the developmental needs of individuals and their family, as well as the financial constraints on their behaviour. In the modernised family life cycle, Gilly and Enis (1982, in Lawson et al, 1996, p.206) used the age of the female head and/or the age of the children of the household to determine the stage of the family cycle. SNZ (2005) has used 'age' as a major demographic indicator in understanding the social welfare and economic trends of New Zealand families. Figure 8 reports that most of the proprietors (n = 7) in the sample were in the range of 35–54 years old. Other proprietors were in the range of 55–64 years old (n = 2), more than 65 years old (n = 2), and 20–34 years old (n = 1). No proprietor was aged of less than 19 years old.

![Figure 10 Age Distribution](image)

5.2.2 Gender

The researcher recorded the gender data based on the principal subject of the business (husband or wife) who attended the interviews and spent the most time with the researcher. The gender distribution of the subjects was nearly equal with seven males and five females. Since all the businesses were family-owned and family-involved, the study hinted that most husbands, wives, partners or children were actively involved in their family business activities although it was also found that the males might be more involved in managing the business and in making final business decisions while the females took more responsibilities in customer service, book-keeping and household activities, for example, child care.
5.2.3 Household Incomes

The household incomes were defined as ‘the cash withdrawn’ from the business by its business proprietors (the incomes of the couples) for their family expenses. In the financial statements of their business, the cash drawings were defined as annual salaries that the business paid to its proprietors. Figure 10 indicates that household income distributions varied from $17,000 to $150,000 per annum for each proprietor’s household. The average annual income was $54,000 which was higher than the Akaroa average income of $34,600 and the New Zealand of $37,000 (NZ Statistics 2001 Census). The median of household incomes is $34,000 per annum.

The business proprietors also indicated that the amount of cash drawn depended on the stage of family life cycle, business profits, and stage of business life cycle. For example, one business owner stated that his family withdrew only $17,000 out of the business for the year 2004 in spite of the business turnover of $500,000 in that financial year because his business was at start-up and it needed sufficient cash flow to meet its establishment commitments.
5.2.4 Business/Marketing Background

Formal background in Business/Marketing was taken to be the formal education and training qualifications that the proprietors have taken up to now. This background determined the vision and quality of the business operations and, hence, the failure/success of the business. McKercher and Robbins (1998, in Getz and Carlsen, 2005), based on data from nature of tour proprietors in Australia, concluded that most business proprietors in his study data were ‘owner-operator’ who had no formal business or marketing background and no prior experience in the tourism industry. As a result, the decisions they made were in a rather informal manner resulting in a somewhat haphazard development of the business and, therefore, there was a high rate of leavers and enters in the tourism sector.

The interview results revealed that a significant number of the proprietors did not have formal business/marketing background or tertiary qualifications of six (i.e., no tertiary qualification in business/marketing or high school qualification). Four proprietors had tertiary qualifications, mostly in hotel and hospitality management with no higher tertiary qualifications. Two did not reveal their educational background (Figure 13).

![Figure 13 Formal Backgrounds in Business or Marketing](image)

5.2.5 Experiences in the Tourism Industry

The interview results reveal that most of the business proprietors have a significant number of years in the business related to the current business, or have stayed in the same business (Figure 14). Eight proprietors have more than ten years experience in the tourism industry. This group is in motels, hotels, retail/manufacturing shops and tour attractions. Three proprietors have up to four years work in their current business and have no prior experience in the tourism industry. This group is in transport, bed and breakfast, and restaurants. Only one proprietor did not have any
experience in the tourism industry. This represents a group who usually moves from a job in another industry and searches for a desirable lifestyle and a novel experience in tourism industry.

![Figure 14 Year Experiences in Tourism Industry](image)

### 5.2.6 Stages of Family Life Cycle

The term 'family life cycle'\(^{37}\) (FLC) refers to the progressive stages through which individuals and families proceed over time. Poon & Bader (2005) concluded in their case study that understanding the FLC stage was important to understanding individuals within their family because each stage of the cycle affected the needs and trends of the individual. As applied to SMEs, FLC affected how individual/couple proprietors decided on their family and business goals which had an intertwined relationship.

The results in Akaroa (Figure 15) showed that most SME tourism businesses (n = 11) were husband and wife – operated or couple – operated, and part time or full time. Figure 13 indicates the four main stages of the FLC. The proprietors were at three stages of the cycle: single parent with grown children living away from home (n = 1), couple with adult children living away from home (n = 5) and couple living with young children (n = 6).

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\(^{37}\) For detail of all the stages of a modernised family life cycle model in New Zealand (see Lawson et al, 1996, p.206)
5.2.7 Business Motivations

Business motivation was a determining variable to the way the SME proprietors behaved in measuring and exercising their business performance because it drove the effort and direction of their business operation. The research results revealed that the SME proprietors had a ‘mixed’ bag of business motivations which were hard to weight in their importance since the initial reason to enter tourism business was to have a good lifestyle through financial gains (Getz & Carlsen, 2005). Figure 16 indicates that the three ultimate business motivations were lifestyle (n = 3), maximum financial return (n = 6) and survival (n = 3). It should be noted that the percentages reported in such data were based on what the researcher counted as the weight of the business motive, which was emphasised the most by the subjects. This was in despite the fact that ten out twelve proprietors mentioned ‘lifestyle’ motive in the first instance when they were asked by the researcher about their business start-up reasons and business motivations.
5.2.8 Type of Proprietors

The self-image of the SME proprietors determined their management style and business motivations (see more explanations in Section 2.3.4). The research results revealed that eight of twelve proprietors were ‘owner-proprietors’ (also called ‘the artisan’) and four were ‘owner-managers’ (also called ‘classical entrepreneurs’). Very few classical entrepreneurs showed interests in expansion, growth and inclination to maximise their financial returns. There was no ‘owner-director’ in this sample.

![Figure 17 Types of Proprietors]

5.2.9 Annual Turnover

Figure 18 indicates that the annual turnover distribution of the tourism businesses varied from $0.048 million to $0.620 million per annum. The average turnover of the sample was $0.279 million per annum, which was lower than the average for New Zealand SMEs at $1.35 million. The median of the sample was $0.252 million per annum.

![Figure 18 Annual Turnover]

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38 Total turnover of all New Zealand enterprises was $398,386 million for the year 2003. The total number of enterprises (of which SMEs accounted for 96%) in New Zealand in 2003 was 294,954 (NZ Enterprises Surveys on New Zealand Official Statistics, retrieved on 24 April 2005).
5.2.10 Business Size
According to the definition of SMEs that was used in the current study, all the tourism businesses were all categorised as small businesses. The majority of the businesses (n = 9, N = 12) were micro-sized (i.e., fewer than five FTE employees). The average number of employees was 5.75 FTEs.

5.2.11 Ownership
Although the businesses were in the three ownership forms of limited companies, partnerships and sole traders, all of these were characterised as family businesses. Figure 19 indicates that eight out of the twelve tourism businesses were constituted as limited companies, three out of twelve as partnerships and only one as sole trader.

![Business Ownership](image)

Figure 19 Business Ownership

5.2.12 Stage of Business Life Cycle
Business life cycle (BLC) data were collated from the field notes and observations of the researcher and self-reporting by the business proprietors. The data results categorised the sample into five groups according their business stages of start-up (n = 2), development (n = 3), growth (n = 2), maturity (n = 3) and decline (n = 2) (Figure 20).
The researcher's assessment of this factor was based on the current business stage in the business life cycle, which was related to the proprietors' motivation for growth and investment. For example, the uncertainty of obtaining the lease or ownership of businesses caused some proprietors to remain in 'survival' and 'watch' rather than invest more money into their businesses activities. Such business motives reduced the stage of development or growth. In other cases, some businesses might fail at start-up before moving into further stages of the BLC, for example, the case of C2183 who did not operate for more than one year.

### 5.3 Summary

The above data provided the descriptive characteristics of the twelve business proprietors and their businesses. Eight demographic characteristics of the subjects and four characteristics of the businesses have been used to describe the sample. The factors will be used as a basis for categorising the different types of business motivation and perceptions of business performance and measurement. The results revealed two main groups of business proprietors 'owner-operator' and 'owner-manager' who were characterised by a variety of motivations and management styles. The owners-managers were shown to be motivated by financial motives while owner-proprietors were more motivated by lifestyle and survival.
Chapter VI

RESULTS

6.1 Introduction

This chapter presents the motivations and performance of the ‘chosen’ SME proprietors from the start of their businesses to their current operations. Within these ‘stories’, the social contexts of their families and businesses are set out. The characteristics of the tourism business proprietors and their lifecycles also determined the foundations of business motivations and lifestyle. These contexts and motivations, in turn, impacted the way in which they measured their business performance and success. Hence, results are presented in four major sections that follow the causal order of the three primary sets of variables (Figure 21).

Figure 21 Model for assessing business performance

First, the behavioural characteristics of the tourism business proprietors within their family lives shape their business lives. Second, the nature of the different business goals and motivations are defined and formed within these social contexts. Third, the ways in which SME proprietors measure their business performance are outlined through the insights into their perceptions of success, accounting behaviours and responses to the EVA approach. Appropriateness of EVA is also discussed in this section. Finally, SME proprietors’ level of resistance towards the research process is examined.
The order of these results follows the causal relationships of the variable sets in the performance model (see Figure 2 in Chapter 2) which frame the answers to the research questions of how SME business proprietors define and measure their success and performance.

6.2 Tourism Business Proprietors and their Businesses

Chapter 5 has already described the characteristics of the research sample (N = 18). This section presents the focal stories of eight business proprietors (N = 8) who completed all stages of the research. Their results are contextualised within the two intertwined ‘lifecycles’ of their families and businesses. In essence, the data highlight the complex social milieux in which proprietors’ business lives were lived out.

6.2.1 Lifecycles of the SME proprietors

Lifecycle models help clarify complex situations of the real world. In this research, the two relevant models are proprietors’ family lifecycles and their business lifecycles. In particular, the stages and transitions of the cycles help the researcher to understand the particular social and personal circumstance of the SME proprietors and their problems, opportunities and strategies. Hence, it is useful to studying the formation proprietors’ needs and goal setting. Within these circumstances, the important personal determinants as they are lived out are business knowledge, tourism experience and family stage; important business determinants are annual turnover, business size, ownership and stage of business development. The transitions between the stages help with understanding the nature of changes in their goals and behaviours within their businesses (Frank, 1995).

The illustration of start-ups and current stages of their businesses, according to the business strategies, are lived out the social milieux of the business proprietors. The eight businesses discussed are identified by their NZSICS whereas the rest of the four, who did not complete the last series of interviews (i.e., evaluation interviews), are shown only by symbols (Figure 22 in next page).
Source: Life Cycle Model, after Frank, 1995 (The tourism businesses are referred to by their NZSICS)

Figure 22 Business Life Cycles of SMEs
**Start-ups**

Business start-ups were limited to only current businesses operating in Akaroa in order to isolate them from the businesses that the proprietors might have elsewhere. All the eight proprietors could be identified as being past the birth (start-up) stage. In particular, two of them were at the early stage of growing the business (i.e., H571 (1) and H572 (3)). The starting point of the proprietors was different. Some proprietors set up the businesses from scratch (n = 5, N = 8); some bought an existing business (n = 3, N = 8); and some inherited the business from the family (some of n = 4, N = 12\(^{40}\)).

Business start-ups were usually shaped by the coincidence of self interest and chance. This was typical across many tourism businesses.

“...I started off ... when I was about seventeen years old. I went on a school holiday job over on the West Coast and it’s something I was quite interested in. I was fortunate to meet one of the senior carvers at the time over there. He was looking for someone to help him out. ... give [me] a job ... At that time he was sort of building up a new company ... starting to expand. When I came along he was just working for himself, just supplying other outlets and having a small chain over there ...

I just wanted to branch out and get my own market ... then my wife [studied tourism course] got another job in Christchurch ... we moved to Christchurch for about a year and a half. At that stage I was just selling wholesale and I got sick of that, and I wanted to get in with the retail side of things so I looked into Akaroa and liked the idea ... thought it would suit my work with the tourists and that sort of things. So we came over here and we saw this building lease coming up. So we just came over and had a look and we basically signed up that day.”

... or the start-ups occurred due to some situational changes in the family lifecycle. A Queenstown motel operator moved into Akaroa to purchase a new motel when he and his wife were at the ‘empty nest’ stage with all their children living as independent adults. Another operator started up his business in Akaroa for a change in his lifecycle.

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\(^{40}\)Twelve business owners participated in three research stages (initial interviews, a workshop and financial sessions). Only seven of them completed the last research stage (evaluation interviews). Sample sizes are referred as ‘N’ while the actual number of participants as ‘n’.
"I lived in Waimate which was a bit backdoor when I wanted to get on with my life ... wanted to get out and see what happens [out there]...When I came here, I was single and met my wife. That was part of the reasons that I get on with my life again [in Akaroa]."

... or they just happened naturally in the tourism boom in Akaroa. A Bed and Breakfast operator, who lived his whole life in Akaroa, used his home as a bed and breakfast premise, reported,

"We started eight years ago. We just built up on that. It’s the family home...we just started putting signs up, ... opened the door, ... started to look for people to stay with us ..."

**Present stage**

This sub section continues to narrate the current social milieux of the business proprietors and their businesses.

- **Family-owned nature**

  "... Most businesses in Akaroa are much smaller. [The number of] fulltime staff may be five people and turnover less than one million dollars. They just get involved in their business ... and try to do everything. Those people always focus on the operational side. When the company gets into a certain size, say over million dollars turnover, you start to get you head out of the toilet and thinking about what are you going to do in the five years instead of how many bills I need to pay tomorrow and how many phone calls I need to make today. They are the proprietors they are the doers as well as planners. I think it is what happens. It happened in our business, my parents were only interested in ... and answer the phones make sure the diesel was there; they would not think about next years, or five years away."

The above comments summarised well the nature of the majority of tourism SMEs in Akaroa, and possibly many similar small tourist towns alike in New Zealand. All businesses in the sample were family-owned where ownership was shared predominantly by a husband and wife (n = 7) and family members (n = 1); in the three major categories of limited companies (n = 6), partnership (n = 1) and sole trader (n = 1). Each member in a family, as a business shareholder, had a different impact on how the business was run. This caused the planning, decision-making and operation of family businesses to be short-term oriented and at a 'gut feeling' level

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41 He and his sisters inherited the business from their parents.
(H573 (1)), personal and informal. As such, the social milieux of the proprietors were complex and ‘layered’. An operator H571 (2) reported a snapshot of such complex family relationships supporting her business operation.

“We'll run up [this motel] till that time, and then they take over ... because my father and the family own the property. They ran the business because my brother and his wife were in it since it was built eight years ago, and then they separated last year. So my brother’s been running it on the phone. And I came back from holiday and he needed a break, so I took over since then, and he’s back at the moment. But, he will leave again in a couple of weeks. I will stay here, and my husband is coming back from Thailand, and we’ll stay till October. I’ve got work to do in another property also ... I’m the manager of this business. He [her father] is the owner of the land. He brought out the whole thing so he makes the decision. It’s the family we talked about. We all have a [say]. Quite often he [the father] will listen to all of us, and he will make final decisions.”

The family-owned businesses appeared more oriented towards the best financial returns when there were external shareholders’ (i.e., investors’) expectations of the business performance. At the extreme was one operator (H571 (1)), whose business included managing holiday properties, on behalf of 28 home proprietors in Akaroa. This proprietor’s decision-making was, therefore, influenced not only by his own family but also by the expectation of the external stakeholders. This feature was perhaps the most extreme case of tourism businesses.

Life at home and life at work
For family businesses, life ‘at work’ for most business proprietors was undifferentiated from their life ‘at home’ due to the blurred line of their involvement in time and place for both their family and businesses.

“There is no separation [between work and home]. It’s all one now. There are some days when we have our children playing out the back [of the business premise]. So we can keep an eye on them and look after this [business] as well ... there isn’t that division of our private lives and our work lives. For us, in a way this is like an extension of our home and our home is an extension of our office.”

42 According to the interviewee, the motel business was sold to another owner who had a number of accommodation businesses in Akaroa. The ownership transfer would be completed in about two months after the date of interview. ‘They’ refer to the new owners.
There was a broad recognition and acceptance of a further interdependence of work function among proprietors once they chose to work for themselves.

"Now I work for myself ... I am many different roles ... I am the receptionist ... the porter ... the general manager, the sales and marketing manager and the maintenance man."

The accommodation sector was different in the extent of separation between work and home, in comparison with the other tourism sectors.

"[With reference to people] on the Main Wharf. I don’t think they are going to have their child playing in the corner while they’re at work. They come to work. They open the doors, turn on the lights, answer the phones and ... at five o’clock they turn the lights off and go home. Whereas I just turn the lights off in this room but I put all the phone calls through to my house. So I don’t really have an end of day. On their days off they will go to Christchurch or stay at home and watch television. Whereas on my days off I’m mowing lawns, gardening, and looking after the property. So my time off is just time off from the office, but it’s time when I need to catch up on maintenance or things like that."

The statement of the above accommodation operator was strengthened by the affirmations of other accommodation proprietors who also spoke of their constant interaction with guests who were staying on the same premises. An operator of a Bed and Breakfast expressed,

"You get up at six in the morning and you start in on your jobs and your breakfast and things like that. And then people are coming and going. For example, they’ll be coming in to use the computer. It’s more than twelve hours a day. They come and go until ten or eleven o’clock at night."

The difference in this aspect between accommodation businesses and other sectors was that accommodation proprietors and their family live on the business premises while others often separate their business premises and homes. In this, the business proprietors in the latter categories were able to separate their personal space and business space. Hence, the proprietors in the accommodation sector who used their home as the business premise, especially those who ran bed and breakfast, often interacted with their guests in their personal space. This feature was less for those who ran the motels and hotels because the proprietors could better manage direct
contact with their guests although they were still constantly connected to their business activities from home.

Stages and transitions of lifecycles

In the social milieux presented above, the proprietors faced a current stage of lifecycles that were only specific to their present family situation, personal capabilities and experience, and stage of business. Proprietors were often pushed to thinking of ‘a new business’ when they faced a change in their family life cycle. For example, a proprietor (H571(3)), who was at the ‘empty nest’ stage with adult children, was quite relaxed about growing his new business from its early growth stage; whereas the proprietor H571(1), who was at the early full nest stage (i.e., supporting two young children at home), was enthusiastic about pushing his business to grow from the start-up stage. This point is also reinforced in consideration of the business’ age. The H571(1) had operated for less than one year while the H571(3) had been open for two years. In fact, the proprietors made decisions about the stage of their business lifecycle were often based on changes in their family lifecycle, and against further consideration of Akaroa’s stage of destination evolution.

In some cases, the boredom of previous jobs and a search for the renewal of interests and meaning of life added layers to major changes in the family stage. This feature was typical for retired couples at the empty nest stage (n = 3). The proprietors C2183 and I6121(1) had decided to set up a tourism business once they had had ‘enough’ from staying too long in an old job.

“... I retired ... find something easy to do for the next five years ...” (I6121(1))

The occurrence of transitions in the life cycle stages (that is, expansions) was based on the personal capability of the proprietors during the change of their family lifecycle. When an operator C2941(1), who successfully ran a souvenir business, was asked if he would expand his business more, he reported he planned to maintain his business size of fewer than five FTEs because he was getting older and he was better at his technical skills than managing a business. Although the operator C2941(1) had more ten years work in the tourism industry, he did not have a formal tertiary business or marketing background. He said that he was too old to keep up with the new skills and the situation in Akaroa.
"To me it is ... to go from self-employed, one person, to a business where you employ a lot of people. You can increase the number from one to hundreds. You have to grow your business to some degree that the business can stand the high weight." (C2941(1)).

6.3 Business Motivations and Goals Setting

Against the background of life cycle evolution, further data results on business decisions and motivations of tourism business proprietors are now given.

6.3.1 Perceptions of Motivations

Living and working within the two intertwined social dimensions of family and business, the SME proprietors in Akaroa reported a "mixed" bag of business motivations.

"I guess ultimately [profit is the motivation]. I mean we wouldn’t be here if we weren’t hoping that there’d be some money in it ... I wouldn’t necessarily say profit driven. It is not the only thing we focus on. The lifestyle is a big thing for us as well."

Motivations include profits, lifestyles, taxation minimisation and GST returns, self-employment, personal growth, enjoyment, contributions to the local community and various others. Each set of definitions of business motivations possessed at least some of the personal values of the proprietor which made it almost impossible to achieve a universal definition.

Profit Motivations

All proprietors reported that at some level the profit was a basic goal for all businesses.

"So basically you have to run on profits. The first one is to get income; the other one is to pay staff and the other one is access to people. If you do not have profits, you cannot pay for the staff and you have nothing for people to come and see." (C2941(1))

In terms of accounting, the proprietors were aware of profit as "profit margin". The researcher asked, "what level of profit is enough for you?" In a simple response, each proprietor defined profit as different scales of cash that they wished to have in their bank accounts at the end of the day. The scales ranged from extra income, survival income, to profit maximisation. These discussions about profit identified "enough is enough" to fulfil some personal objectives.
One proprietor (H571(4)) ran his business with "no concern about survival or making profit". The tourism business was for an extra source of income besides his main income from another business. This was perhaps the typical motivational characteristic of bed and breakfast businesses.

"It is not really maximising profit. There is nothing like that. We did not focus at all on anything. We were just living here and we thought there is a little bit of money in having a bed and breakfast so we just started doing it. The motivation was we needed some money for the upkeep ... So we just wanted to start a bed and breakfast to earn some income so we could put it back into developing the property and earn a living as well." (H571(4))

Most of the proprietors (n > 4) defined profits as a survival amount, "enough to keep up with the lifestyle and continue to stay in Akaroa". In describing tourists as "bread and butter", operator G522 highlighted the importance of profits as "giving [me] a living." A few others defined profits as financial maximisation (n = 2). On the extreme opposite to the bed and breakfast proprietors, an operator with "profit maximisation" strongly asserted the need to achieve the best financial returns on his capital investment. This operator was identified as one of the largest tourism businesses in Akaroa.

"It's highly commercial. It's hard work. So if we can't make best return here we're better doing something else. The objective is to make money. I think that is most businesses' motivation is about." (I36 (2))

"Well, it is about the balance. Like the business card I have. It costs about 50 cents per card, but if you use recycle paper it costs one dollar each. If you want to protect the environment, it costs a lot of money and it will reduce your profit. Profit always comes first." (I36 (2))

A manager operated her family business owned by her father, brother and his wife and her. She described strong views of business ethics when defining profits although her family business was to make money.

"Both [profits and enjoyment] actually. But to me, it is not profit. Because you should never run a business for money ... the money will come ... because you have a passion of what you do ... people [the guests] like it"
Lifestyle Motivations

Alongside profit, lifestyle was a large part of the business motivations of most of the SME proprietors. The proprietors defined lifestyle by their enjoyment of a variety of ‘personal preferences’ including: nice location and setting, more business control and time flexibility. In essence, the lifestyle was defined as enjoyment combined with either the style of work or the location of Akaroa, and alongside the element of choice.

For some proprietors, their initial reason to move to Akaroa for lifestyle was not fulfilled due to the insufficient staff available for tourism businesses, and its seasonality in Akaroa.

“We came here for lifestyle but you certainly can’t get a lifestyle. No staff ... You can’t get anybody to work. [I] can’t have a lifestyle. I have to work seven days a week ... lifestyle is a thing of the past.” (H571(3))

A few proprietors enjoyed their work style, “My work is my lifestyle’ (H571(1)). The strongest attribute about lifestyle was being able to live in the Akaroa environment.

“It is not lifestyle of the business but the lifestyle of living in Akaroa with a nice community. You know this kind of the business in Auckland – the same business [like mine] but this may be not good for us because it is more the Akaroa lifestyle than business lifestyle.’ (I63(1))

As such, there was a trade-off between long working hours, less privacy and a nice living environment like Akaroa.

“No, I don’t think it’s really good for your lifestyle. Because it’s so busy and takes up so much of your time. I think where I live is a beautiful place. I live in a valley. It’s just lovely. But what I am now doing is a very busy job. So I’ve never have a relaxed night. I work long hours and most days.” (C2183)

“... to get started a business very difficult and again a chance for my life. I just like to have an environment where I am happy to live in. If you live in town, you have to deal with traffic and environment and all sorts of things. To me, Akaroa is a nice place.” (C2941(1))

The satisfaction level for the above trade offs slightly differed for the proprietors born locally than for those who came from outside Akaroa. The born locally proprietors who wanted to continue to stay in Akaroa were motivated to maintain
their enjoyment of lifestyle while the ‘newcomers’ were more motivated to maximise profit returns. Hence, the latter were more tolerant about what work style they had as long as their profit expectation was met.

**Tax Minimisation Motivations**

Taxation minimisation was expressed as a large part of many SME proprietors’ business motivation and behaviour. To some extent, most SME proprietors run their businesses in a way to minimise business taxation. It was shown among the proprietors that the SMEs were often found struggling to survive with the New Zealand taxation system.

"The government does not look after us ... you need to pay taxes in advance ... it becomes very difficult if you have a quieter year ... because of taxes, you will find in New Zealand, new businesses will start and after two years they just disappear." (G522)

"I don’t want to earn more money, and then I have to pay more tax. Isn’t it [true that] rich people don’t pay tax?" (C2941(2))

“No, we don’t want to do that [use the house as the business premise, but not claim for the cost of using the house] because GST is a problem. Because if we start claiming GST against our capital improvements and things like that, when it comes to sell the business, we’ll have big problems with GST...we don’t claim all our costs. We claim GST against some of the rates and some costs. You need to know a lot about GST before you do. Our experience ... we have nothing more to do with assets and things like that ... “ (H571(4))

6.3.2 Defining Business Success and Performance

The above elements, in turn, shaped the SME proprietors’ definitions of their business success and performance. To gain the insights into the perceptions of the proprietors on their business success and performance, a series of questions were asked. The researcher asked the proprietors, “how is your business this year?”. Most of them (n = 7) answered that they did ‘all right’. The researcher continued to clarify the meaning of ‘all right’ by asking the question, “How do you know that you are doing all right this year, compared with last year?”. Most of the proprietors reported that they looked at their cash flow and profitability (i.e., profit margin) of this year, in comparison with last year.

A few business proprietors had formal business objectives as those expected in large firms. They had little awareness of evaluating their performance against their
business objectives. Rather, success was perceived simply as having a positive profit margin after fulfilling the immediate needs of the families.

“What’s in the bank. That’s how you [they] measure your business. What’s in the bank at the end of the year. It’s not a daily thing or a weekly thing” (H571(4)).

“For us, at least for the first year of operations, the only way for us to know if we’re doing okay is by watching our bank account” (H571(1)).

The perceptions of success and performance among the proprietors were short-term oriented and usually covered only one year. Increases in sales between the current year and the previous years were recognised as a key indicator that the businesses were performing better this year. Also, repayment of the business loans was considered as an immediate success for the businesses.

“I mean when we do sell our business, we will consider what we paid anyway so, I mean, we pretty much measure, in fact, that we can move away without the debt we borrowed. Basically we can have a comfortable living between now and when we do so.”

Interestingly, in comparison with the rest of the sample, two proprietors whose businesses were totally unstructured and least geared for profit maximisation defined their performance mainly as the performance of their GST returns.

“… because we do GST returns every two months. You’ve got to have [a book of] balances and so an accountant gets all these figures and at the end of every two months you can work out how you’re doing with your business. You pay GST on what you make over what your costs are” (H571(4)).

In terms of ‘business value’, few proprietors (n = 2, N = 12) reported that their performance was based on the value of the business at the endpoint of an investment or the wealth creation cycle, which most accounting texts argue to be the ultimate goal of a business value. Instead, the performance was based on fulfilling a certain ‘value’ of the business proprietors to some extent. This relied on the extent to which the business proprietors achieved their personal goals such as comfortable lifestyles, or value gained (capital gain) on their land after ten years. In the initial interviews and the workshop, all proprietors (except one) had no knowledge of their business value. During the financial sessions (when it was assumed that the knowledge of
business values among the proprietors had improved over the research stages after some exposures to the EVA concept, the researcher asked, "Do you know any rule of thumbs for your business values?". The majority of the proprietors reported that they were unaware of any rule of thumbs (i.e., 'super or maximum' profit'). The researcher continued to ask, "What are the value drivers in your business?". Few proprietors could answer the questions. The value drivers were sales turnover, the brand name of the business (i.e., the recognition of the business name in the market), and the value of the business at the point of sale (including goodwill of the business).

"... we call goodwill as the name of the word. The main advantage of goodwill is you buy historical data ... [security of existing demand, good products and profit ... ] Goodwill is you jump, here, the queue. Bank manager like to lend to businesses that have historical data. They don’t like to lending money to those who are going to start ... " (C2941(1))

For those who used their own land and building as business premises, the capital gain of the building and land was an important value driver. Surprisingly, profits and cash flows were not reported as the main value drivers to this ‘value’ question although these two were previously identified as important business motivations for tourism proprietors.

6.3.3 Setting Goals
Against the above framework of motivations and values, proprietors had set both short-term and long-term goals. These goals were varied under the impacts of the "real world" that each of them faced, especially when they had begun their businesses. These also shaped their future motivations and goals. This sub-section presents short-term and long-term goal setting under the impacts of the perceived motivations and social milieux. Because the proprietors had a mixed bag of motivations and specific lifecycles, each of them set up a mixed bag of goals for their business both in the short-term and long-term. These business goals were seen to change over the stages of the business lifecycle.

For most proprietors, the main goal of the birth stage was to survive or meet ends.

"To me, initially it [the business] means an end-meet" (C2941(1))

"For the first year, the matter is if I am surviving and if I can be operating next year ... as once I’ve got that survival thing start...then I start to sit down ... what can we do to be better?"
Do I need to invest …? When and how will it come back to me?” (H571(1))

As such, the proprietors usually started to set up to grow their businesses. At this stage, some proprietors set up somewhat long-term goals which varied from three to ten years. Also, the view of the long-term goal for the business was different among the business proprietors.

“I can go out and get paid 40-50,000 dollars or more if I work for somebody else. What I am trying to do to increase the profit of this company. So if when we sell it, it can be worth more than 40,000 dollars per year. It’s long-term goal.” (163(2))

“I mean when we do sell our business, we will consider what we paid anyway so I mean we pretty much measure in fact that we can move away without the debt we borrowed. Basically we can [have] a comfortable living between now and when we do so.” (H573(1))

“[reference to in ten year when I sell my business] … [enhance] the value of the business that I will walk away with ...”

Other proprietors, whose businesses were less structured, who were less profit motivated, did not have a long-term goal setting, rather they ran the businesses on the daily, weekly or monthly intuition and interests based upon their personal lifecycles.

6.4 Measuring Performance and Success

The central goal of the research was to gain insights into how the tourism SME proprietors measure their business performance and success. Under the treatment of a potential measure like EVA, it was assumed that the tourism proprietors might have different measuring-performance behaviours before and after the treatment. Any (or none) observable change in the behaviours of SME proprietors will assist in developing an appropriate measurement approach, which contributes to enhancing the financial and economic yield of the tourism sector.

This section describes the measuring performance behaviours of small tourism business proprietors before and after the EVA treatment. It includes the accounting behaviours and decision-making of the proprietors. The results of the ‘EVA framework’ evaluation, its barriers and facilitators are also discussed in order to provide understanding of performance behaviour drivers to a better yield.
6.4.1 Measuring Performance and Success before the EVA Treatment

Individual business goals drove the measurement behaviour and performance of the proprietors. Measuring performance and success of the proprietors before the EVA treatment were observed by in-depth interviews into several aspects of their accounting activities and decision-making processes. The observable accounting behaviours included the proprietors’ accounting knowledge, performance metrics used, accounting ‘manipulation’ and cash use. In the decision-making processes, the roles of key decision makers and ‘external’ accountants were also questioned.

**Accounting Behaviours**

- **Accounting Knowledge**

Accounting knowledge among the tourism proprietors indicated a widespread lack of understanding of the financial statements and performance reports that were important to their measuring behaviours. The researcher asked the proprietors how much they understood their financial statements and how they used them in business decision-making. During the financial sessions, all the proprietors acknowledged,

“We don’t understand much what are in the financial statements so we don’t use them. We use them for tax purposes … The accountant tells us how we do [perform] this year”

“… if I’d had some grounding in accounting or statistics … I could probably slot into that a lot easier that I would at the moment. Because at the moment I don’t understand it very much and therefore it doesn’t achieve a lot because I don’t understand at the end my year in my accounting” (H571(4)).

“Basically I never understand accounts or something like that. All I understand is [that] you make more money than you spend.” (C2941(1))

“You [know] your profitability by what the accountant tells you at the end of the year.” (G522)

Only one experienced motel operator reported that he understood about sixty percent of his financial statements but he was concerned mainly about ‘Profitability’ and ‘Occupancy Rate’. A few others indicated that they understand about twenty percent of their statements. In particular, one operator indicated that she would not care so much about what were in the accounting statements. Her way of assessing
performance was her business ability to pay the least taxes even when she had negative profitability.

➢ Accounting ‘Manipulation’

Business motivations drove accounting behaviours. During the interviews and reviews of the financial statements, it was shown that the accounts of the proprietors’ businesses were manipulated to meet their peculiar business motives and goals. In fact, there were cash distortions evident in two main types of behaviours: intentional and unintentional behaviours.

Intentional behaviours indicated that the proprietors manipulated their accounts mainly for taxation purposes. In fact, intentional behaviours occurred in accounts that were most often associated with family business proprietors. These accounts revealed ‘unreal’ salaries, ‘incorrect’ records of liabilities and assets; and mixed uses of business loans for personal purchases and vice verse (i.e., house mortgages and business loans were indistinguishable in business and personal activities).

“Yeah at the moment I haven’t charged the business anything for my wages yet. When I feel that I need to I can go back through the books and say: okay, the business may owe me five thousands dollars. I will take two thousands dollars to go on a nice trip to Australia and leave the other three in the business. The business can still use them.” (H571 (1))

“So then I say to accountant to fiddle it because I don’t want to pay lots of tax so think of something. I also want to buy another house so we need to something there too.” (C2941 (2))

H571 (1), like most other proprietors, demonstrated that there were manipulations of the ‘free capital used in their businesses’. It was perhaps because it was possible for the SME proprietors to have “no clear separation between the business account and personal account” because “… in the end the money in the business will also come to me”.

Unintentional behaviours indicated that the proprietors had little awareness of the externalities of their tourism activities (i.e., goodwill and public goods). They ‘don’t actually believe that beautiful views are parts of costs …” (H571 (1)). They generally were unaware of these accounts in their accounting and pricing, and this was expected, because current accounting practice can not account for those yet.
For those who ran their businesses at home, "... lot of personal drawings were absorbed into the running costs of our businesses ... we claim those [personal costs] against our operating costs" (H571 (4)). Cash drawing from the businesses for personal uses was, therefore, another major accounting distortion among the SME proprietors. The researcher did not ask directly about the cash drawings for sensitivity reasons. It was suspected that these drawings were primarily for reducing-tax purposes rather than reinvesting in businesses (i.e., there were no records of reinvestments but many cash drawings in the financial statements). In essence, the above results demonstrated a need to normalise these distortions when there was an ambition to achieve a true performance picture of tourism SMEs.

**Performance Metrics Used**

The currently used performance metrics directly indicated the way in which the tourism proprietors measured their performance and success. It was found consistently over all the interviews, group workshop and one-to-one sessions that all business proprietors relied mainly on their "cash flows coming in ..." and profitability figures to assess their performance.

"Profit has been my main focus for the ten months ... that is only because the only real way of measuring how well I am doing is my bottom line, my bank account" (H571(1))

Less structured and sophisticated proprietors simply look at "... every year just on volume of occupancy ... sometimes up sometimes down...but that did not really bother us ..." and then looked at how much cash they had in their bank account and how much less tax they could pay.

"Return on assets is something [that] didn’t really bother us too much as I explained in various ways before. Return on investments! It didn’t worry us either. Economic value added! No." (H571(4))

There were some differences in the use of different performance metrics among proprietors in each sector and levels of business skills. The proprietors in motels or hotels tended to use additional performance software from which they benefited from their memberships of tourism associations. Few sophisticated proprietors (n = 2) reported using some accounting ratios such as net returns on equity and the value of goodwill in businesses.
**Decision-Making Processes**

Decision-making processes, in turn, linked directly to performance measuring behaviours of the proprietors. In essence, the results revealed four main factors within a decision-making process, including types of decisions made, decision drivers, key decision makers and the use of external advisors. SME proprietors themselves were generally the key people who were involved in making all types of decisions in their businesses. The decisions were made on all aspects of their businesses, for example, purchasing a new boat, washing machine or getting more staff. Most proprietors would turn first to their partners and family members for guidance and opinions.

“We trust family. So we always come upstairs and discuss ... Dad's decision was final.” (H571(5))

“My husband and I talked about it [new purchase] and decide what we want to do.” (C2183)

“... a big decision to make ..., a large factor that comes into any decisions I make...more often than not it's just something that I discuss with my partner. I actually call my father who had motels in Christchurch and see what he thinks. I use him a lot for guidance ...” (H571(1))

Few proprietors (n = 2) admitted that they also sought advice from their external accountants.

“The original idea is from us and then we went to a professional adviser to see if it is viable.” (I63(1))

However, the decisions of those who sought professional advice were rarely driven by their external accountants. Rather, the proprietors were the final decision makers who were often driven by their own judgement or ‘... gut feelings ... and intuition ...’ on factors “... competition ...” (H571(1)), “... sales ...” (C2941(1)) and “... returns on that money ...” (H573(1)). Few proprietors reported that they used some formal devices for making those decisions. The devices were generally “... historical data spreadsheet ...” which was monitored for comparisons.

6.4.2 The Evaluation of EVA as expressed by the Tourism Business Proprietors after the EVA Treatment

Both quantitative and qualitative data for the Akaroa SME proprietors’ evaluation of the EVA measure were obtained. The results in this section are reported mainly in a
narrative form. The descriptive statistics (i.e., frequencies and means) as a result of the SPSS analysis of the quantitative data provide additional information to understanding the 'common' behaviours of the business sample. The business proprietors evaluated the EVA approach on two key components of its underlying concepts ('adjusted' RI) and the researcher's EVA tool (i.e., EVA calculator).

**Meaning of EVA**

'Meaning' is referred as the usefulness, suitability and relevance of the EVA approach to the proprietors' current business operation. Overall, five proprietors agreed, and one strongly agreed, with the statement, “the EVA will be useful to my firm”. Only one disagreed. The mean of 2.14 (Appendix L) indicates an overall positive perception among the sample towards the usefulness of the approach. The researcher asked the proprietors to define the meaning and usefulness of the EVA approach. When the EVA concept was explained to the proprietors in terms of 'opportunity cost' of using time and money in their businesses, most of them (n = 7) expressed the opinion that the explanation of the EVA concept was simple but it was hard to understand the technical aspect of the concept. As a result, they needed more time to learn about the EVA approach. In fact, when they were asked to state their own definition (i.e., what they understood) of the EVA concept, they showed some 'uncertain and partial' understanding of the EVA concept as well as the 'residual income' concept. The operator C2941(1) perceived it a “... bloody complicated formula ...” that underlined the concept and the calculations of EVA.

“I don’t probably fully understanding the calculations and what is in it ... The concept is simple but it is hard to understand...I find it complicated if you’re getting a positive year net profit and a negative EVA ... I suppose it might be slightly complicated if you don’t know the formula as to how it’s worked out.” (C2941(2))

“It kind of doesn’t make sense to me if I’ve made $66,000 and I’ve a negative EVA. I understand your explanation of it but it still doesn’t make sense. We may have some problems about the mortgage payments.” (C2941(2))

When coming to the use of the EVA calculator, most proprietors (n = 6) reported that the tool allowed them to know where they (their businesses) were at the moment.

“[It helps us know] ... where we are [now].” (H573(1))
“It tells me the true story of what’s happening … and where I am going.” (G522))

There were some improved understandings of the EVA approach among the proprietors after a series of interactions with the researcher. Few of them (n = 3) spoke of the usefulness of the calculator as an additional evaluation tool to make business decisions or “… health check tool …” (C2941(1)). They perceived that they could make business decisions about evaluating the business performance (i.e., how well we are doing?); the value of their business (i.e., how much is my business worth when I sell it?); investment (i.e. will I buy a new boat or open a new shop?); or productivity areas (i.e., do I need to spend less in this area?).

“It probably helps [us] in the future ... if we ever want to expand or open another shop. It will, hopefully, show that things are improving; this is what we’ve done; and this is what our business is worth [when we sell our business].” (C2941(2))

There were five Likert-scaled questions (1 for strongly agree to 5 for strongly disagree) asked about these evaluation areas. Five proprietors (out of seven) agreed and one strongly agreed that “the EVA concept captured all actual financial costs and profits of my firm”. Only one proprietor disagreed with the statement. For this proprietor, he reasoned it irrelevant to his business since he sold his house (which was used as the business premise) to someone who would use the house to live in. The mean of 2.14 indicates that most of the proprietors positively agreed that the EVA measure embraced an accurate and adequate picture of their financial position.

In terms of ‘decision-making’, four proprietors agreed and one strongly agreed that “the EVA would assist me make decisions”. Only one proprietor disagreed. The mean of 2.29 indicates that most of the proprietors were positive about the usefulness of the EVA in assisting them to make business decisions. In terms of ‘productivity’, four proprietors agreed that “the EVA helps identify the key areas of productivity in my firm’s operation”. Two disagreed with the statement and one was neutral. The mean of 2.71, slightly higher than the other means (i.e., closer to the neutral mid-point) indicates less positivity towards this aspect of the EVA approach.

Most of the proprietors (n = 7, N = 8) also expressed that the EVA approach provided another way of looking at their business performance and operation alongside looking at the bank statements and financial statements.
"... to see how this operates is definitely something that picks up my interest. I look forward to playing around with this and see what impacts it has on different parts of my business. Having the EVA figure on file; and just sort of where I could be a lot smarter in my business. It is just different way of valuating how my business is operating other than what the bank balance is." (H571(1))

This owner, who was the most sophisticated in his business concept and management among the whole group, also evaluated the meaning of the EVA approach to his business in both strengths and limitations. He expressed that the EVA concept 'seemed' to take account of the opportunity cost and the use of the capital which his accountant did not do for him. However, he stressed that the EVA could not account for all tourism goods and services being used in a 'tourist experience' such as scenery.

On the other hand, some proprietors (n = 3) perceived the EVA as 'not useful or irrelevant' to their businesses due to a variety of reasons. One operator admitted that the EVA approach may be useful to some more structured and 'profit-driven' businesses, yet it was not relevant and useful to his business. He explained that his business did not need a sophisticated tool like EVA because he was only operating to earn some extra income to his main income.

"... I don't really know. What I would use [it] for? Costing what I use for taking a breakfast menu? What will it be for? ... No, [it's] not [useful and relevant] for my business.” (H571(4))

Two other proprietors beside this one reasoned that they were happy with their current 'measuring performance' tools which allowed them to see their profitability and importantly (they stressed) the occupancies. Hence, they found it irrelevant to change what they were using now.

Two other proprietors perceived that they could not tell the usefulness of the EVA approach until they could experiment with it in their business and because the 'conceptual and technical' aspect was too new for them to learn and implement. This perception was expressed mostly by the proprietors of businesses less than two years old.

"Yes, [it's] quite good concept but until we can see a couple of years of figures to see how we can use it ourselves properly. Unless you can experiment on your business, you can't tell [how useful it is].” (H571(3))
Feasibility

The statement, "the EVA will be feasible to be used in my firm" indicated the possibility of the firms' applying the EVA approach to their operation. Overall, five proprietors agreed and one strongly agreed with the statement. Only one disagreed. For this operator, he perceived it inapplicable to his business because he sold his business to someone else and retired from doing any further business. The mean of 2.14 indicated an overall positive perception among the sample towards the feasibility of the approach to their firms. Each of the six proprietors who agreed (including one who strongly agreed) perceived differently the meaning of feasibility of the EVA approach differently to their businesses.

A young entrepreneur H571(1), who was among a number of proprietors (n = 4) had a positive perception on the feasibility of the approach in his business and other tourism firms.

"Definitely [feasible]. Everything about it [EVA] directly applies to what I am doing ... every business at the end of the day is going to have a set of financial reports. Every business will want to get to the position where they make profit; to know [if] they are using the capital in the right way and towards the productive level that they can. So I think it directly applies to all businesses. So it's very feasible. It's just the matter of how much time do I have to commit to actually learning it. Because the [calculator] is very easy." (H571(1))

However, some cautions and even objections about the feasibility of the EVA approach as a measurement tool were shown among a few proprietors because they did not totally understand the EVA concept and its operation.

"Feasibility? Yes, again, I think that it's something that needs to be put into practice to be able to answer that but as I said it does confirm probably what we did know." (C2941(2))

During the initial interviews, one owner expressed some concerns about the feasibility. He suggested that, for feasibility, adjustments should be made to the approach when dealing with SME proprietors.

"Something needs to be done with the small proprietors. It is hard to get them to understand so we need talk to them in their language they understand and what I am concerned about EVA is that it's too complicated. It has to be simple." (I63(2))
This was the inspiration for the researcher to explore the ‘preferences’ aspects of the approach, as perceived by the proprietors.

Preferences

A series of five Likert-scaled questionnaires was used to ask the proprietors’ opinions on their preferences to four aspects of the EVA calculator (materiality, manageability, simplicity, and definitiveness) so that they would adopt and use it in their businesses. The descriptive statistics (Appendices K and L) report data on these four perceived preferences. Because of the quantitative data collection method (i.e., questionnaires) of this sub section, frequencies, means and standard deviations are used to report the results.

A high number of proprietors (n = 5, N = 743) agreed with the statement, “the EVA measure should have a significant impact on my firm’s operation” (materiality). Only one proprietor disagreed and one chose neutral. A high number of proprietors agreed (n = 4) and strongly agreed (n = 1) with the statement, “the EVA measure should help the manager(s) of my firm to influence the intended outcomes” (manageability). Only one disagreed and one chose neutral. A high number of proprietors agreed (n = 4) and strongly agreed (n = 2) with the statement, “the EVA measure should be designed so that the operating staff readily grasp it” (simplicity). Only one disagreed. A high number of proprietors agreed (n = 4) and strongly agreed (n = 2) with the statement, “the EVA measure should be designed in the way that the required information is relatively easy to track or record” (definitiveness). Only one disagreed.

As such, the four aspects received positive reports from the proprietors. In essence, it is important to know which aspect was the most preferred. The researcher asked the proprietors to rank their preferences for the four aspects. The four aspects were recorded and analysed from positive to negative (i.e., the most preferred = Rank 1; preferred = Rank 2; less preferred = Rank 3; the least preferred = Rank 4).

Figure 23 reports the proprietors’ evaluation of EVA on the four criteria of manageability, simplicity, materiality and definiteness. It suggested that the criterion

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43 N refers to the total number of respondents who actually participated in the research stages. N = 7 is the number of proprietors who actually participated in the evaluation interviews although there were eight respondents who agreed to participate (see Table 8 for response rates of the research stages).
‘Manageability’ is the first preference by the proprietors (two proprietors chose Rank 1 and three chose Rank 2). The criterion ‘Simplicity’ is the second preference (two chose Rank 1 and two chose Rank 2). The criteria Definitiveness and Materiality are the two least preferences.

![Figure 23 EVA Evaluation](image)

**Adoptability**

The perceptions of the above dimensions of the EVA approach (and modified calculator) indicate some potential for adopting EVA in addition to the current measuring tools of Profitability (bottom line) and Cash Flow (sales turnover). From the Likert-scale questions, the majority of proprietors (one agreed strongly and four agreed) expressed that they would adopt the EVA as a supplementary tool to the existing tools in their firms. One owner (C2941(1)) who was the most enthusiastic proprietor about the new performance tool like the EVA, was still cautious about any new tool adoption at his company.

“Researcher: Are you going to use EVA?
The owner C2941(1) and his wife: Yes [with very certain voice] ... and we still have our cash flow that we look at that very closely every month.”

The slightly higher means for the adoptopm of Cash Flow and Profitability (mean = 4) rather the EVA (mean = 3.86) (see Table 16, Appendix L) indicated some trends in the potential measurement behaviours. The EVA was perceived positively, however, its adoptability would not take place in practice unless there were major actions taken to encourage and support SME proprietors. Hence, it was important to investigate the barriers and facilitators of the use of a new tool like EVA.
6.4.3 Barriers and Facilitators of the Use of the EVA as expressed by the Akaroa tourism businesses proprietors

Barriers
EVA was initially perceived as a “never heard of or aware of” for most proprietors (n = 10, N = 12). Hence, “there is going to be an initial amount of resistance here” (H571(1)). This operator indicated that the passport to the adoption of EVA was to understand and remove barriers that would discourage or stop SME proprietors’ taking up and using EVA. As indicated before, almost half of the proprietors (‘enthusiastic’ adopters) were interested in “playing with the EVA calculator” alongside their traditional metrics (i.e., bottom line and cash flow) to see any impact on their businesses. The other half (‘content’ adopters) had low motivation to take up EVA mainly because some of them were selling their businesses and some were quite comfortable with their profitability and existing measurement tools.

As such, barriers to the actual adoption of EVA were different for these two groups of adopters. For ‘enthusiastic’ adopters, the main barriers were their lack of understanding of the performance measure, particularly the EVA concept and the interpretation of EVA figures (i.e., the meaning of positive and negative EVA to their business).

“[SME] people are very protective to their business ... someone popped out negative figures. That doesn’t look so good...I’ve got a great business and I am really happy. All the sudden you tell me I am not; that is something ... they put their defence up. For some people, their business is their life or for some people their finance is everything they have ... Hence ... they want to be able to tell someone: so tell me what the hell it means; What am I doing wrong? People will want to know what that figure means and who they go to ask what I do to improve it …” (H571(1))

What this operator expressed above indicated the need to have comprehensive teaching and training programmes for the business proprietors about the meaning and operations of EVA. Further, training and teaching programmes were needed to provide ongoing support to the proprietors. Some proprietors suggested a helpdesk or a phone line, “as it is such a new thing. I am more likely to ring now and then a helpdesk” (H571(1)). Some suggested specific training programmes on accounting and computing. From observing proprietors through their exploration time with the EVA calculator, it was found that most of them faced initial difficulty in extracting
correct data from their financial statements and inputting these into the right formula (i.e., input cells) on the calculator.

“A lot of businesses, I suspect, are like me. They don’t really understand financial statements … I’m not sure where to get the data to put [it all] together.” (C2941(1))

For G522 to adopt EVA, she would need “support what you [the researcher] are doing already. You are coming to help me evaluate what’s happening”. She did not have a computer and did not know how to use it. G522 was perhaps an example of many small tourism proprietors who perceived themselves as an “older generation”, and who ‘cannot keep up with all the modern things’.

“All sorts of qualifications … because for me it depends on my formal education … I could probably slot into that sort of thing a lot easier than I would at the moment. Because at the moment I don’t understand it very much and therefore it doesn’t achieve a lot ...” (H571(1))

For ‘content’ adopters, an important and initial barrier before any above barriers was their attitudes and interests which did not motivate them take up any new things once they thought that “what I’ve got now are quite good and I am happy with it”.

Facilitators
Facilitators indicated supporting initiatives and actions that would help the uptake and use of EVA. Facilitators, hence, mean that it was vital to remove all those barriers and focus on providing supports to these areas.
- C2941(1) suggested having more a comprehensive information sheet on data extracted from accounting statements.
- Interestingly, G522 expressed that she would like to buy a computer once her granddaughter visited and taught her how to use it.
- H571(1) suggested providing an ongoing helpdesk on interpreting the meaning of positive and negative EVA figures to his business; and advice on what to take next.
- Others did not have any comments.

6.4.4 Perceptions of Measuring Performance and Success after the EVA Treatment
Due to the time limitation of the research, the researcher could not extend observations of changes to measuring the ‘actual’ performance behaviours presented
in the section 6.4.1. However, the researcher did collect some perceptions of their performance measurements after the treatment that is useful for understanding potential changes in real behaviours.

As such, the researcher asked the proprietors to state which business measure among six metrics listed in their performance report (sales/turnover; profit before personal drawings, normalised profits, ROA, ROI and EVA) made the most sense to them. The metrics were sales/turnover, profitability (bottom line) and EVA. In essence, the results did not provide a clear indication of potential metrics in the future. Hence, the researcher continued to investigate this area by using five Likert-scaled questionnaires.

Figure 24 reports the ease of use of three relevant performance metrics perceived by the proprietors. The ease of use of a performance metric was an important factor to uptake and use of a metric. Profitability was perceived as the easiest metric (one proprietor strongly agreed and three agreed). The same number of proprietors (total of strongly agreed and agreed of three) perceived EVA and Cash Flow as the easiest metrics. It was surprising that EVA received the highest ‘strongly agreed’ votes (two proprietors) whereas Cash Flow the lowest (none proprietor strongly agreed; three agreed) among the three metrics.

![Figure 24 Evaluating the ease of use of performance metrics after the EVA treatment](image)

Figure 25 below reports the perceptions of the proprietors on their potential adoption of EVA in comparison with Cash Flow and Profitability when they were asked to choose an option from five scales for each statement, “I will see my business success in terms of the Cash Flow (Profitability/EVA)”. By looking at the total positive scores of ‘strongly agree’ and ‘agree’ on the graph, three metrics
received the same score of potential adoption and use in the future. The means of all five Likert score were examined. Cash Flow and Profitability had the same mean of 4.00 which was slightly higher than EVA at 3.86, which gave little indication of the potential metrics selected.

![Figure 25 Perceptions of future measurement adoption by the SME proprietors](image)

Figure 25 Perceptions of future measurement adoption by the SME proprietors

Given the sample size (n =12), the qualitative data is more useful. Most proprietors expressed that profitability and cash flow from sales/turnover “... probably best explained the understanding of [my] business ... and probably the easiest to see”. Cash Flow and Profitability remained the two metrics that are likely to be continued to be used in the small tourism businesses. It was found that there were some changes in the perceptions of performance measurement since EVA was generally perceived that ‘it does provide a new way of looking at things”. One proprietor strongly agreed and four agreed with the statement, “I will adopt EVA measure as a business success measuring tool”. Only one disagreed and one was neutral. However, many proprietors reported that “… but it’s not something that I’d go for [now]” for previously explained reasons. Hence, the adoption and use of EVA would be a challenge. This reinforced the need for education and support for EVA uptake if this challenge is to be achieved.

6.5 Level of Resistance of Small Tourism Business Proprietors towards the research

The level of resistance referred to any issues that prevented the researcher access to the reliable and valid data needed to answer research questions. Throughout the entire research, it was keenly sensed that the level of resistance to the current research topic was high. This was due to the fact that the topic involved the ‘double-
difficult’ challenges of collecting data from private firms and the high sensitivity of financial data. Getting permission to access financial information from the small private business proprietors was the most challenging issue.

During the initial interviews, when asked if they could attend the financial sessions with their three-year financial statements, three out of twelve business proprietors indicated strongly that the financial data was private to their businesses. Hence, they were anxious and refused to disclose any financial information or business secrets. The operator C2183 expressed, “I need to ask my business partner. He is very private”. Another operator I63 (2) was perceived as “so secretive about his financial information” and he frankly refused any access to his financial information. All these proprietors expressed their concerns about having no tolerance for any risk of disclosure.

The rest of the business proprietors (nine out of twelve) indicated a lesser level of resistance to the request. However, most of them were conservative and careful about referring to any financial information in initial encounters with the researcher. One owner refused to comment on their direct competitors. Another proprietor expressed, “one hour with you [the researcher] costs me one hour of my business. And that is … I can not afford it” (H571 (1)). However their level resistance was found to be reduced over the workshop. After more interactive correspondence (telephones, emails, letters and face-to-face) between the researcher and proprietors, a good rapport and knowledge of the research was developed for those proprietors who attended the workshop. As a result, nine business proprietors agreed to participate in further stages and allowed the researcher to access their financial data.

In reality, there were only seven proprietors who actually participated in the financial sessions and some of them were still somewhat careful about how to disclose their financial information. Two of the seven proprietors chose to ‘read out’ the required financial information from the financial statements rather than letting the researcher have a thorough look at them. It was perceived that that way was safer for them. Five proprietors (among the seven) allowed the researcher to scan through the financial statements in front of them rather than the researcher taking the statements away. Only two proprietors who said they had total trust in the researcher were comfortable and happy to have their financial statements taken away from the businesses by the researcher.
Chapter VII

DISCUSSIONS, CONCLUSIONS AND IMPLICATIONS

7.1 Introduction
This thesis has sought to examine tourism business proprietors' perceptions and behaviours in measuring their business performance and success. It has further sought to provide a better performance framework for New Zealand tourism businesses. Central to this has been the understanding of the motivations and personality of the SME owners in the measurement process.

This chapter synthesises, highlights and discusses the research results alongside key literature. Each research question raised from the literature review is discussed in turn. Finally, implications for tourism business proprietors, the tourism sector, academics and researchers of similar studies are discussed.

7.2 Question one:
How did small tourism business proprietors define and measure their performance and success?

7.2.1 Proprietor and business characteristics
The most significant characteristic of tourism businesses is that they were all family owned and the individual character of the proprietors had a strong influence on business decisions, motivations and visions of business performance and success. This finding was not a surprise as it concurs with most literature on SMEs and their proprietors' motivations and decisions-making (Getz & Carlson, 2005; Cameron & Massey, 2005; Hankinson & Ducheneaut, 1997; Herron & Robinson, 1993). The line between small business owner's personal lives and business lives was blurred and often indistinguishable (Cameron & Massey, 2005). The research found that tourism proprietors' 'home' and 'work' lives are usually intertwined in time and space. They are constantly involved in many aspects of the businesses for long periods of time, and they had many direct interactions with customers in their homes. On the other hand, business proprietors also had constant interactions with home affairs from the workplace. In essence, everything within a tourism business is very 'personal', from
business start-up and every business decision making, has an element of ‘personal’ choice. A proprietor’s personal characteristics and his/her stage of family life cycle were important contextual considerations. Age, work experience, formal education and stage of life cycle of the business proprietors are important determinants to characterising decision-making and motivation among small tourism businesses.

**Decision-making and planning**

Against the core features discussed above, decision making processes were usually family-oriented, short-term, ‘naïve’ and at a ‘gut feeling’ level. A ‘family-oriented’ characteristic was reflected in business proprietors’ highly complex milieux and their families’ perceived values. In the research, the majority of businesses were owned and founded by couples; few were owned and inherited within extended families. This agreed with Getz and Carlsen (2005), who suggested that studies of individual proprietors and couples as business partners are more important than those of extended families. It was found that business decisions were often discussed around, and influenced by not only business partners (i.e., immediate family) but also by members in the proprietors’ extended family (Frank, 1995), whom they perceived as ‘experienced and trustworthy’. However, the most dominant family member, in essence the final decision maker, is usually the business proprietors or founders themselves. This indicates the significant role of business founders’ values and visions in the nature of business decisions and directions (Frank, 1995).

Family business decisions, again concurring with the literature, were usually inclined towards the vision of making the betterment of the family (Getz & Carlson, 2005). In other words, the family is the core (rather than the business itself) of the business. Within this orientation, the role of external advisors as decision drivers was limited. Small business proprietors tended to have a high degree of trust in their accountants or accounting firms which concurred with the findings of a small business survey by Russel (2002). However, this trust was largely limited to compulsory accounting books for taxation purposes. For business investment advice, small business proprietors turned firstly to their spouse and secondly to trustworthy family members and friends (Cameron & Massey, 1999). Economic investment decision making, with reference to small capital investments, was rarely driven by external advisers as proprietors noted that “we trust family more than outsiders”.
Various studies report that small businesses’ proprietors did not plan as often as they should (Peters & Buhalis, 2004; Stewart, 2002). Strategic planning of capital and investment activities was rare in small tourism businesses. The current research, however, found that proprietors did have some operational plans on some aspects of their businesses. The extent of operational planning was often short-term (less than one year), informal and immediate (Lyles et al, 1993, in Edwin, 2000). In the research, the majority of business proprietors focused on written inventory and sales forecasts for monthly or quarterly time periods. A few proprietors even ‘planned’ for daily items, such as toilet requirements, which were perceived to have immediate effects on their visitor satisfaction, as well as bottom line or daily cash flow. The accommodation sector was found to more directly consider capital investment due to their intensive capital requirements for land and buildings. However, the nature of consideration was usually limited to ‘value’ gained on their land and building (capital gain). In terms of long-term planning (several years), small business proprietors talked about this period, however there was no evidence in the research that they were taking action about that commitment.

The research also found that most small business proprietors often made intuitive decisions based on a ‘gut feeling’ (Campbell, 1991). Many tourism proprietors usually made decisions about a problem without the complete information being available or analysed (Seiber and Kleiner, 1991; Goldstein, Scholthauer and Kleiner, 1985). Many reported various business problems due to their naïve and non-strategic business dealings (Austin et al, 1996; Deloitte Touche Tohmatsu, 1995), more inclination to seek for non-experts (family or friends) and failure to use professional advice pro-actively (Cameron & Massey, 1999).

What was found in the research is that age, years of tourism experience and formal business/marketing background have determined proprietors’ level of dependence on accountants and their business management skills which, in turn, underpinned the business’ success. The business proprietors who were older and had more than 10 years of experience in tourism business tended to trust more in their experience and intuitive judgement. Younger business proprietors (usually in the age range of 35-45 years) who tended to have formal business/marketing background but fewer years of experiences in tourism business, showed some interest in using external advisers for their investment decisions. Another unusual group of proprietors were those who were in the highest age of 65 plus, who stayed in the
tourism business because of their locality, and who had no formal business/marketing backgrounds and would often rely on their accountants for every business matter.

**Motivations for business performance and success**

What was clear, as a result of investigations into tourism business proprietors' business and family lives, is that 'stage of life cycle', work experiences, and ages of proprietors were important underpinning dimensions of business motivations, start-up and growth (Cameron & Massey, 2005; Lewis, 2004). This emphasises the significance of the personal characteristics of business proprietors and their motivations for performance and success.

The results chapter reported a "mixed" bag of business motivations, including profit, lifestyle, tax minimisation and GST purposes, self-employment, personal growth, enjoyment, contributions to the local community alongside various other motivations. Proprietors often reported multiple business motivations among which ‘lifestyle’ and ‘profit’ motivations were dominant. Each set of definitions of business motivations possessed at least some personal values of the proprietor, and the line between their business lives and personal lives was blurred (Cameron & Massey, 2005). It is noted that the proprietor himself/herself usually could not determine which motivation might be weighted more than another. At some levels, profit was a basic goal for all businesses while lifestyle was a large part of many small tourism business proprietors' motivations. In fact, lifestyles largely influenced the nature of profit and growth motivations for SMEs. This resulted in a weak ambition for growth and hence low demands for expansion capital (Austin et al, 1996). Many SMEs in New Zealand never reach sizes where their proprietors feel they lose control over their business lives and forgo the good lifestyles that were a main motivation for a family to enter the tourism business (Lewis, 2004). What was found clearly in the study is that many tourism business proprietors controlled their business growth to a manageable size that allowed their family to continue to live their lifestyles in Akaroa.

As a result, better financial returns were ignored and even avoided (Bradford, 1997) for the sake of maintaining current lifestyles. Satisfactory levels of profits in the small tourism businesses usually depend on proprietors' satisfaction of about how well the business profits can keep them in their desired lifestyles. As such, taxation
minimisation and GST motivations become popular for SMEs because these calculations are seen as an easy strategy.

What was also found is that the proprietors’ original residence determined the nature of their motivation. The born locally proprietors who wanted to continue to stay in Akaroa were motivated to maintain their lifestyle enjoyment while the newcomers were more inclined to profit returns. Hence, the latter were more tolerant of ‘family business’ as long as they received adequate financial returns.

7.2.2 Measuring performance and success
Although family businesses are important and receiving more and more attention, it is a neglected research area in New Zealand (Cameron & Massey, 2005). Most of the SME studies in New Zealand sought to understand the dynamics of family businesses by only investigating the interactivity and interrelatedness of individual, family, business life cycle and business goals. There is a serious lack of information on the way SME proprietors perceive and measure business performance and success (Deloitte Touche Tohmatsu, 1995; Edwin, 2000; Massey et al, 2005). This study contributes to the literature with insights into small business proprietors’ measurements of their performance and success in their family and business contexts. This is important because this helps with understanding SMEs’ success/failures.

The research found that informality and individuality are two typical characteristics of family businesses. Tourism businesses were developed and judged by family standards, rather than professional management practices at each stage of the business life cycle (Moore, 1995, in Cameron & Massey, 2005). As a result, their measurements of performance and success are often informal and subject to the proprietors’ performance perceptions and personal capability.

What was found, as a result of investigations into SMEs’ accounting behaviours through the EVA treatment, is that most proprietors used cash flow and profitability as indicators of their business performance and success. In terms of personal evaluation, the performance of proprietors’ businesses was based on fulfilling their personal goals such as a ‘comfortable lifestyle in Akaroa’. The more sophisticated proprietors who had a better accounting knowledge used more sophisticated performance measures such as rates of returns on equity or goodwill.
Measuring performance and success of small business proprietors was also very individual and often driven by their individual goals and motivations. The accounting manipulation reported, for instance cash distortions, indicating proprietors’ ‘intentional’ and ‘unintentional’ behaviour to meet their personal goals and motives. The possibility of such accounting behaviour perhaps originated from current accounting practices which provide little regulation or guidance for small businesses. The fact that there was no clear separation between business and personal accounts in family businesses needs further research to consider its strengths or weaknesses for family businesses’ performance and success (Thorpe, 1991, in Cameron & Massey, 2005). The proprietors had little knowledge of the meaning of business measurement in their businesses. This was perhaps because few of them had formal business/marketing background although most of them had many years experience in tourism businesses.

7.2.3 Conclusions

The findings of the study indicate that many tourism proprietors have a poor understanding of even financial yield and of how to measure their business success. Differences in tourism business proprietors’ values and perceptions of business performance and success have been seen to be associated with differences in their age, education, experiences and stage of life cycles. Taken together, these made it impossible to obtain a generic model for SME motivations of performance and success. As a result, emphasis on understanding the individuality of small business proprietors’ motivations in relation to their personal and family motivations is important.

The findings also indicate that the significance of the ‘personal’ characteristics of small business proprietors in relation to their motivations from start-up and across growth stages. As such, models of individual business motivations should be the foundation for investigating small businesses’ measurements of performance and success.
7.3 Question two:

Is EVA suitable for tourism business proprietors in New Zealand?

The significance of this research is its practical investigation into a suitable performance measurement framework for New Zealand tourism business proprietors. It is also important to point out that the EVA evaluation was subjective and cognitive to the business proprietors’ mind because most SME performance studies have been about evaluating the financial measures (Edwin, 2000).

This section attempts to discuss the major research question of whether EVA is suitable for tourism business proprietors in New Zealand. The evaluation of EVA looks at five aspects of a suitable performance measure: meaning, feasibility, adoptability, barriers and facilitators. The section discusses a more generic question of what might be a suitable performance framework for tourism SMEs.

7.3.1 The Evaluation of EVA

Initially, all the proprietors had not been aware of EVA because of their lack of formal business/marketing training and the relatively recent arrival of EVA in New Zealand. It was possible for proprietors to provide their insights in a suitable performance framework after a series of EVA education events. Overall, perceptions among the majority of proprietors towards the usefulness of an EVA approach were positive.

The Akaroa Township tourism businesses’ financial data results of negative EVA and positive profitability obtained from EVA calculators made the proprietors start to question and rethink their current operation and business performance measurements. Indeed, the EVA approach evidently showed the business proprietors of a new way of assessing their current business operations. EVA was perceived to be an additional helpful tool to monitor and check business performance and capital investment decision-making. The concepts of the EVA functions (i.e., opportunity costs and performance check) were perceived to be simple to understand. However, when it came to its use, it was reported to be too complicated to understand. Further, empirical evidence suggests that there needs to be several years of business operations before proprietors would believe and use EVA. Consequently, EVA is still not sufficiently persuasive for business proprietors to adopt. It is important to point out that this EVA evaluation was perceived for the situation that the business
proprietors presumed that a business metric should directly improve their business performance while a measurement in itself will not improve performance, and as such, measures can only encourage progress (Neely, 1998).

In comparison with the currently used performance metrics, EVA was perceived as a sophisticated and advanced performance measure that is suitable for sophisticated, profit-driven and more structured businesses. What was also evident in the research is that the EVA was only relevant when the businesses are beyond start-up stages and for those business proprietors who are interested in learning and growing. EVA was perceived to be irrelevant and unnecessary for tourism businesses with lifestyle-dominant business goals and motivations. The issue of whether business motivations and learning attitudes of small business proprietors can be informed and changed when there is a better performance measure becomes important to any further development of an EVA approach.

7.4 Question three: What is the level of resistance to adopting a new performance metric?

It is emphasised that learning a new performance metric is a precedent to adopting it. The core element of the business proprietors’ learning a new tool like EVA, which involves effort and time, is the nature of proprietors’ norms, beliefs and readiness towards learning and goal-setting processes (Scott & Sun, 2002b). In the research, the lifestyle-dominant motivation and low business capability of the proprietors indicate a low readiness to adopt a new and complicated (as perceived) performance metric like EVA. Many proprietors considered learning and adoption unnecessary and irrelevant to the current state of their businesses.

Other resistance factors to the successful adoption are the proprietors’ lack of comprehensive understanding of the metric, lack of empirical evidence of the metrics’ usefulness to their business operations and, importantly, lack of a learning facilitating environment (Scott & Sun, 2002a).

7.4.1 Key characteristics of a suitable performance framework

Scott & Sun (2002a) indicated that a reliable and powerful measure needs two prerequisites to its development. It needs measure the impacts of ‘a reality’ (i.e., business performance) reliably and conclusively; and environmental factors are to facilitate learning. In this research, although the impacts of the potential EVA have not been observable (which is a hindrance to the business proprietors’ adoption), it
has been inferred, and its quantitative approach (i.e., dollar value) provides, an invaluable surrogate tool for business proprietors/managers building learning into small organisations, which is an important success factor in today's competitive environment (Ashkenas et al, 1995, in Scott & Sun, 2002a).

Stern (2000) suggested that the effectiveness of a good performance metric should be based on the four criteria of manageability, simplicity, materiality and definitiveness. The research findings indicate that efforts to enhance the effectiveness of a performance measure framework for tourism business proprietors should be firstly directed at making it manageable and simple (which is paralleled with Scott & Sun, 2002a). As such, a good performance framework for SMEs needs to be designed so that business managers can easily learn and use it. In essence, it needs to help business managers check business performance and communicate a course of action to ensure a better future performance (Neely, 1998).

From investigation of the barriers and facilitators, as perceived by the proprietors, the emphasis on a measurement framework's comprehensiveness, ease of use, popularity and responsiveness is important to small business proprietors. As suggested, facilitation (i.e., a responsive and accessible helpdesk) is important to assist and monitor the learning and uptake of a new metric by business proprietors. For small business proprietors' successful adoption of a new measure like EVA, it must be realised that the greater effort and time for supporting and facilitating small businesses is important.

7.4.2 Conclusions

From this assessment of EVA's usefulness and practicality, EVA can be considered as a potential measure suitable for New Zealand tourism businesses that are inclined to profit maximisation and are motivated to grow to some extent. It was found to be 'irrelevant' to those who are in tourism businesses for survival or extra income motives. However, it is important to know the learning norms and beliefs of the business proprietors. Without a readiness for learning, new knowledge or tools become unsuitable and irrelevant for adoption. In essence, there is a need major for programmes to be held to educate, encourage, support and facilitate small business proprietors to use new metrics like EVA. Without these important programmes, the adoption of new performance measures like EVA is impossible.
7.5 Implications
This thesis describes a double-edged context where on one side is the inadequacy of an effective measure available to the tourism sector in New Zealand and on the other side is the readiness of the tourism businesses to learn and adopt a new and better measurement. As such, this thesis sought to understand small tourism proprietors’ motivations and the way how they measured their performance and success, and understanding their readiness to adopt and suitability of a performance metric like EVA. The study implies that small tourism proprietors’ learning processes need further development in order to build a better performance measurement framework (yield framework) for the New Zealand tourism sector.

The issue raised in this thesis is investigated from several complex contexts, and highlight gaps between these contexts and where they need to be linked together. Important in this are the individuality and variety of the SME proprietors’ personal and business milieux. This implies that their learning process in relation to a new performance measure needs to be considered in terms of the influence of attitudes, perceptions, motivations and managerial capability of small business proprietors (Scott & Sun, 2002a).

The lessons from this research have several implications for potential subjects: firstly tourism businesses in Akaroa Township, New Zealand and tourism policy makers (the government), in respect of building a better yield framework, and future research.

7.5.1 Implications for tourism businesses in Akaroa Township
The findings of the study indicate that many tourism proprietors are involved in the sector for a ‘mixed bag’ of motivations which suggests that a measure of a purely financial yield will miss much of the true nature of their tourism investing and operating decisions.

The lifestyle-dominant business motivation of the majority of businesses implies their strong intentions to control growth and not to change the town so that they can continue to enjoy a quiet, rural and coastal lifestyle which is opposed to the urban growth of the Queenstown for example. This growth and control aspect may indicate an important characteristic of many of Akaroa tourism proprietors, and perhaps New Zealand ones, currently, who choose to run their businesses with their own ‘comfort’ and ‘freestyle’ (i.e., independence) dimensions (Lewis, 2004) through their
businesses, rather than for the businesses. Many tourism businesses in Akaroa Township may have low learning motivations and norms (readiness), which implies a challenge for achieving a better yield performance. If these results from Akaroa Township are true for all New Zealand tourism businesses, the prospect of achieving a high financial and economic yield may be very difficult.

In the investigation of performance measurement, the study found that many tourism proprietors have a poor understanding (even misunderstanding) of performance measurement, even of their own financial data. This implies a low learning capability for a new performance measure. Further, the study also found that this lack of understanding resulted from not only a lack of formal business/marketing training but also their attitudes and motivation to grow. This suggests that understanding attitudes and motivations is important to understanding intentions and behaviour of small tourism proprietors to performance measurement.

The implications of the study for Akaroa Township is supported by evidence of low tourism yield (i.e., evidently negative EVA⁴⁴) despite heavy tourism dependence (Butcher et al, 2003). It is recommended that more formal business training and building good learning norms and motivations are crucial to better tourism yield for the sector. Also, better pricing strategies might be worth of serious consideration (HVS International, 2005) and the availability of an effective performance measurement is important if they want to be sustainable, financially and economically. Developing learning norms, motivation and capability are, therefore, challenges (Scott et al, 2002a) for the Akaroa Township tourism businesses in order to stay competitive.

7.5.2 Implications for the tourism sector in New Zealand

As raised in the literature, the central challenge of the tourism sector in New Zealand is to achieve a better yield for the sector. Hence, an effective performance measurement framework is essential to achieving this. The findings of the study indicate that many tourism businesses’ decisions are based on historical accounting information which does not adequately reflect sustainable financial performance. The positive perception but ‘negative’ adoption of EVA by the tourism business proprietors implies that a suitable and adoptable performance framework needs to be

⁴⁴ In the research, EVA of the tourism businesses in the Akaroa Township was calculated (see Table 17 in Appendix M).
empirically proven to be useful and relevant in order to be successfully adopted. Hence, the challenge for the sector is the time and effort needed to inform and facilitate the learning and adoption of new performance metrics. EVA is perhaps a sound performance metric but it still needs to be learnt and empirically proven to be successful.

The findings also indicate that many tourism proprietors have poor knowledge of business administration and management. This suggests that it is very important to design, develop and facilitate programmes with an emphasis on manageability and ease of use. Through the EVA experiment, the study found that perceptions of performance and measurement have been changed positively. Many proprietors reviewed and rethought their business in a different way in respect to using their capital and investments within their businesses. This implies to policy makers and practitioners that the government and research play important roles in assisting building business capability and stimulating learning motives in the business communities.

7.5.3 Limitations and implications for future research

The study’s data collection processes suggest that methods for researching small business proprietors should be specifically adapted to suit the purpose of studying SMEs in the context of their everyday activities; and the values they attached to specific actions (matching the method with the phenomena); rather than attempting to ‘interpret’ phenomena in the context of some theoretical academic framework (Grant et al, 2001).

The high level of resistance to disclosing financial information of the small businesses implies that the business and, in particular, its financial information is considered as personal, ‘needs be protected’ and ‘everything’ has meaning for small business proprietors. Hence, trust is important to getting-in and getting along issues and an interactive approach to future studies is recommended.

The current study’s methodology has several limitations. The small sample might indicate a lack of a reliable representation of all small tourism businesses in New Zealand. The measured qualitative perceptions and behaviours in the study were also derived from social constructions and projections of the business proprietors’ mind. Hence, the reliability of the information they perceived may not be measurable (Scott & Sun, 2002). Nevertheless, this is an important pilot study that is argued to
contribute new knowledge about the small tourism business proprietors’ learning capability and readiness to change to current SME research (Simmons et al, 2005; Massey et al, 2004; Deloitte Touche Tohmatsu, 1995). Its investigation of SMEs’ financial performance measurement helps to dispel much of the rhetoric about an effective performance measurement framework that is suitable, and able, to enhance the financial and economical yield of the New Zealand tourism sector.

The ‘reliability’ and ‘measurability’ limitations mentioned above can be overcome by further investigation into the empirical evidence of the influence of the EVA or other potential effective measures. A quasi-experiment (one ‘treated’ group and one ‘untreated’ group) over several financial years will be useful but challenging for another research.
BIBLIOGRAPHY


Simmons, D. G. (1989). *Destination area residents' participation in tourism planning: a case study of Huron Country Ontario*: a thesis presented to the University of
Waterloo in fulfilment of the thesis requirement for the degree of Doctor of Philosophy in Geography. Waterloo.


*Users' guide for QSR NUD.IST. Qualitative data analysis software for research professionals* (1996). Melbourne: Qualitative Solutions and Research.


APPENDIX A INITIAL PREPARATION
Towards a Framework of the Use of Eva (Economic Value Added) for New Zealand Tourism Firms: A Case Study of Akaroa

The New Zealand Tourism Strategy notes that, ‘Achieving sustainability and being yield driven are two of the four principles that run through the New Zealand Tourism Strategy’

To advance research in this area Ms Van Thi Nguyen of Lincoln University is undertaking a pilot study of operator perceptions of business performance tools and yield management strategies among tourist proprietors in Akaroa. Results from this study will significantly assist us in preparing for a fuller nation-wide study to address this crucial issue for the industry. They will also provide the basis for her Masterate dissertation.

The New Zealand Tourism Industry Association (TIANZ) strongly encourages you to participate in this pilot study of tourism yield. We are currently seeking ways to build a research partnership with Lincoln University and the Ministry of Tourism to advance the study across New Zealand.

Van is supervised by Professor David Simmons (Professor of Tourism) and Mr. Jack Radford (Senior Lecturer in Commerce), both of whom will be actively engaged in the research progress. If you have any queries, you may contact Van or supervisors (David and Jack) at the above address.

It is a great pleasure to invite you to join this study. Participation is voluntary and all data will be held confidentially. Data from no individual business will be able to be identified in the results. In accordance with Lincoln University’s research ethics you may withdraw from participating in the study at anytime.

David Simmons
Professor of Tourism
(Signed)

John Moriarty
Chief Executive
Tourism Industry Association of New Zealand
(Signed)
CONSENT FORM

Towards a Framework of the Use of Eva (Economic Value Added) for New Zealand Tourism Firms: A Case Study of Akaroa

I have read and understood the description of the above-named study. On this basis I agree to participate as a subject in the study, and I consent to publication of the results of the understanding that anonymity will be preserved. I also understand that I may at anytime withdraw from the study, including withdrawal of any information I have provided.

Full names: .................................................................

Signed: ........................................................................

Date: ...........................................................................

Contact address (not required):

..................................................................................
..................................................................................
..................................................................................
..................................................................................

(Please put the signed consent form in the free envelop provided and send it back to the address provided on the envelop)
A BRIEF PROGRAMME OF THE STUDY

Towards a framework of the use of EVA (Economic Value Added) for New Zealand tourism firms: a case study of Akaroa Township

<table>
<thead>
<tr>
<th>Overall Program</th>
<th>Date</th>
<th>Time</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awareness interviews</td>
<td>To be advised</td>
<td>To be advised</td>
<td>To be advised</td>
</tr>
<tr>
<td>Workshop</td>
<td>4 June</td>
<td>1.00 p.m. – 2.40 p.m.</td>
<td>Akaroa Boat Club</td>
</tr>
<tr>
<td>Evaluation interviews</td>
<td>To be advised</td>
<td>To be advised</td>
<td>To be advised</td>
</tr>
</tbody>
</table>

Workshop agenda

Date: 4 June  
Duration: 1.00 p.m. – 2.40 p.m.  
Location: Akaroa Boat Club

<table>
<thead>
<tr>
<th>Activity</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction of the study and EVA</td>
<td>1.00 p.m.</td>
</tr>
<tr>
<td>Explanation of the concept of EVA</td>
<td>1.15 p.m.</td>
</tr>
<tr>
<td>Explanation of the EVA formula and calculation</td>
<td>1.30 p.m.</td>
</tr>
<tr>
<td>Refreshments</td>
<td>1.45 p.m.</td>
</tr>
<tr>
<td>Explanation of the extended EVA framework for the New Zealand tourism firms</td>
<td>1.55 p.m.</td>
</tr>
<tr>
<td>Discussions of a list of relevant adjustments for EVA</td>
<td>2.15 p.m.</td>
</tr>
<tr>
<td>Illustrations of calculating EVA for tourism firms</td>
<td>2.25 p.m.</td>
</tr>
<tr>
<td>Delivery of EVA workbooks</td>
<td>2.30 p.m.</td>
</tr>
<tr>
<td>Questions and answers</td>
<td>2.35 p.m.</td>
</tr>
<tr>
<td>Ending</td>
<td>2.40 p.m.</td>
</tr>
</tbody>
</table>

135
May 2004

Dear Business Manager:

Thank you for agreeing to see Van today for her first interview examining tourist motivations and practice.

As indicated previously, the question of tourism yield is crucial to the development of tourism in New Zealand and is a key recommendation of the New Zealand Tourism Strategy.

Please be assured that Lincoln University sets high standards for ethical research practices.

For this study:
- Your participation is voluntary (and you may withdraw at any time);
- All data (interview records and/or taped transcripts) will be securely stored at the University;
- Only the research team (student – Van) and supervisors (myself and Mr. Jack Radford, Commerce) will have access to individual records;
- Only summary data and trends will be produced in the thesis; and
- No individual business entity or manager will be identified.

The goal of this pilot study is to scope out business management concerns and practices within the wider tourism-operating environment. In turn, this pilot study will support a nationwide research programme into financial and sustainable yield for the tourism sector.

Should you have any concerns about your participation in this study please do not hesitate to contact me.

Thank you again for your participation.

David G. Simmons, Bsc, MAppSc, PhD
Professor of Tourism
(dsimmons@lincoln.ac.nz)
(Signed)
THE INITIAL INTERVIEWS
GUIDES AND QUESTIONS
(Approximately one hour interview)

1. Introduction of the personal background of the researcher(s); introduction of the background and purpose of the research; declaration of the research ethics; outline the present interview.
To establish rapport between the researcher(s) and the informants

2. Identification of public goods used in tourism proprietors’ business activities
Guided questions:
- Tell me about how you got the business now in Akaroa?
- So when you came to this business, what was your motivation? And what is your motivation now in the business?
- Suppose you leave your business (sell the business in Akaroa), how will you measure your business success and performance?
- Tourism businesses use a mix of private and public goods and services. What does the term ‘public goods’ mean to your business?
- Please identify all the public goods and services you use in your business activities.

3. Costs of the public goods
Guided questions:
- Please tell me whether you have paid a charge for each public good that you use.
- How much do you pay for the use of each public good that you have identified?
- Which organisations do you pay for the use of each public goods you have identified?
- Are there any public goods you have used that you think you have paid enough, too much, or not enough? Why do you think so?

4. Measurement of the costs/benefits of public goods in tourism businesses
Guided questions:
- How do you measure or record all the public goods you have used in your annual accounts in your business?

5. How to record performance measurement in your business?
Guided questions:
- Do you separate your personal and business accounts?

6. Please tell me about anything more that you concerned about public goods in tourism businesses (the use/costs/measurement)

7. Do you know about Economic Value Added?

8. Would you like to go the workshop which will talk about Economic Value Added which is a performance metric?
Brief explain about EVA and what will be in the workshop.
Presentation Title:
Improving Financial and Economic Sustainability in Tourism (A Lincoln University Research Project)

Presenters:
Professor David Simmons
Mr Jack Radford
Ms Van Thi Nguyen

Workshop Agenda:
• Introduction of the Research Project
• Introduction to the concept of Economic Value Added (EVA)
• Discussion of EVA adjustments
• The Extended EVA framework for tourism firms in New Zealand
• Refreshments
• EVA calculator
• Questions and answers
• Ending
APPENDIX D THE FINANCIAL WORKSHOP
THE FINANCIAL WORKSHOP
QUESTIONS

During the review of the financial statements
1. Identify some items in the financial statements?
2. How many FTE employees work in your business?
3. How many FTE proprietors are there in your business?
4. If you had to hire someone else to do you (and/or wife/husband)’s work, how much do you think you will pay for him/her/them?

After the review of the financial statements
1. How do you define value of your business? What are they?
2. What are the ‘value drivers’ in your business?
3. How often do you use your financial statements to make decisions in your business?
4. How do you read/use/understand your financial statements?
5. What do you use your financial statements for?
6. How many percentages or how much do you understand you accounting statements?
7. How do you deal with your business matters?
APPENDIX E THE EVALUATION INTERVIEWS
THE EVALUATION INTERVIEWS: GUIDES AND QUESTIONS

A. MAIN QUESTIONS

1. How willing are the managers to learn about performance measures and measurement?
2. What is the likelihood the managers will accept and use a measure and measurement?
3. How will the answer to question two happen?
4. How is the capacity of the tourism proprietors to achieve high yield as influenced by their characteristics and behaviours?

B. SPECIFIC QUESTIONS

Evaluation on the performance report:

1. How did you find the summary report?
2. Did my conclusion support your concern?
3. Which parts (business measure) was easy to understand?
4. What business measure makes the most sense to you?
5. What business measure best explains your understanding of your business?
6. Which is easiest to implement/follow?

Evaluation of the EVA measure

1. What aspects of the EVA calculator do you like?
2. What are the strengths of the approach?
3. Do you think the EVA measure captured all the actual financial aspects of your firm?
4. In your opinion, what adjustments are needed to the EVA approach to make you to adopt it?
5. Given the adjustments, do you think the EVA measure now captures all the actual financial costs and profits of your firm?
6. Do you think the EVA measure would help you make decisions and identify key areas of productivity?
7. What are the weaknesses of the EVA approach?
8. How do you think about the meaning (feasibility and usefulness) of the EVA measure to your business? To other tourism businesses?
9. Do you think EVA considers the sustainability of the tourist sector?
10. What are the ‘facilitators’ and ‘barriers’ to the practices of the EVA for your firm?
11. Having had a look at EVA, what ways are you likely to continue to measure your firm’s performance?
Towards a performance framework for New Zealand tourism firms by investigating their use of EVA (Economic Value Added): A case study of Akaroa Township

### SECTION I: UNDERSTANDING

Indicate the extent to which you agree or disagree with the following statements. Please circle ONLY one option for each statement.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly agree (1)</th>
<th>Agree (2)</th>
<th>Neutral (3)</th>
<th>Disagree (4)</th>
<th>Strongly Disagree (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. the Bottom Line (Profitability) is the easiest measure of my business success</td>
<td>1 2 3 4 5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B. Cash flow is the easiest measure of my business success</td>
<td>1 2 3 4 5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. EVA is the easiest measure of my business success</td>
<td>1 2 3 4 5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Other comments:

________________________________________________________

### SECTION II: EVALUATION

Indicate the extent to which you agree or disagree with the following statements. Please circle ONLY one option for each statement.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly agree (1)</th>
<th>Agree (2)</th>
<th>Neutral (3)</th>
<th>Disagree (4)</th>
<th>Strongly Disagree (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>D. The EVA concept captures all actual financial costs &amp; profits of my firm</td>
<td>1 2 3 4 5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E. It would assist me make decisions</td>
<td>1 2 3 4 5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F. It helps identify the key areas of productivity in my firm’s operation</td>
<td>1 2 3 4 5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G. It will be feasible to use for my firm</td>
<td>1 2 3 4 5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H. It will be useful to my firm</td>
<td>1 2 3 4 5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. It reflects the sustainability of a tourism business</td>
<td>1 2 3 4 5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Other comments:

________________________________________________________

### SECTION III: PREFERENCES

How should EVA calculator be designed so that you will adopt and use it in your business? Please circle ONLY one option for each statement.
A. The EVA measure should have a significant impact on my firm's operation. (Materiality)........ 1 2 3 4
B. It should help the manager(s) of my firm to influence the intended outcomes. (Manageability)........ 1 2 3 4
C. It should be designed in the way that the operating staff readily grasp it. (Simplicity).................. 1 2 3 4
D. It should be designed in the way that the required Information is relatively easy to track or record. (Definitiveness)........................................ 1 2 3 4

Other comments:
.................................................................................................................................
.................................................................................................................................
Please write the ranking number for the four following items according to The most preferred (1); Preferred (2); Less preferred (3); The most less preferred (4) that are relevant to your firm's business operation.
Materiality	Simplicity
Manageability	Definitiveness

SECTION IV: FUTURE MEASUREMENT
What likelihood your firm will use the following indicators to continue to measure your business success? Please choose ONLY one option for each statement.

I will see my business success in terms of...

A. ... Cash Flow.............................................. 1 2 3 4 5
B. ... Bottom Line (Profitability)....................... 1 2 3 4 5
C. ... Economic Performance Measure like EVA..... 1 2 3 4 5

I will adopt EVA measure as a business success measuring tool.......... 1 2 3 4 5

Other comments:
.................................................................................................................................
.................................................................................................................................

Thank you for your participation. We wish you a great success ahead!
APPENDIX F DATA COLLECTION SCHEDULES
DATA COLLECTION SCHEDULES
1. Initial Interviews
   May 18
   May 19
   May 24
   May 26
   June 11

2. EVA Workshop
   4 June, 1.30-4.30pm

3. Financial Session
   Aug 19
   Aug 20
   Aug 26

4. Evaluation Interviews
APPENDIX G ADJUSTED NEW ZEALAND TOURISM AWARD CALCULATOR
### Economic Performance Calculator

#### Cash Operating Profit Data Section

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover from Trading</td>
<td>$384</td>
<td>$587</td>
<td>$620</td>
<td></td>
</tr>
<tr>
<td>Operating Costs from Trading</td>
<td>-$267</td>
<td>-$457</td>
<td>-$455</td>
<td></td>
</tr>
<tr>
<td>Annual Taxes Paid</td>
<td>-$2</td>
<td>-$3</td>
<td>-$3</td>
<td></td>
</tr>
<tr>
<td>Interest Received from Investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Cash Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Surplus / (Deficit) for period</strong></td>
<td><strong>$115</strong></td>
<td><strong>$127</strong></td>
<td><strong>$162</strong></td>
<td><strong>$0</strong></td>
</tr>
</tbody>
</table>

#### Shareholders/Partners/Owner salary

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of FTE proprietors involved</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Salary paid to proprietors ($)</td>
<td>$93</td>
<td>$94</td>
<td>$150</td>
<td></td>
</tr>
<tr>
<td>Normalised salary due</td>
<td>$80</td>
<td>$80</td>
<td>$80</td>
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<tr>
<td>Salary adjustment</td>
<td>$13</td>
<td>$14</td>
<td>$70</td>
<td>$0</td>
</tr>
<tr>
<td>Interest Cost paid</td>
<td>$6</td>
<td>$6</td>
<td>$6</td>
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<tr>
<td>Depreciation deducted</td>
<td>$5</td>
<td>$10</td>
<td>$10</td>
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<tr>
<td>Goodwill amortised</td>
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<td></td>
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</tr>
<tr>
<td>Leasing Costs Paid</td>
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</table>

#### Capital Charges Data Section

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
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</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
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<tr>
<td>Current Assets (see note)</td>
<td>$74</td>
<td>$78</td>
<td>$104</td>
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</tr>
<tr>
<td>Work In Progress (Cost of)</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock on Hand (Cost of)</td>
<td>$67</td>
<td>$88</td>
<td>$133</td>
<td></td>
</tr>
<tr>
<td><strong>Fixed Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land &amp; Buildings</td>
<td>$102</td>
<td>$102</td>
<td>$102</td>
<td></td>
</tr>
<tr>
<td>Plant Equipments &amp; Vehicles</td>
<td>$32</td>
<td>$42</td>
<td>$41</td>
<td></td>
</tr>
<tr>
<td>Accumulated depreciation (-)</td>
<td>$44</td>
<td>$50</td>
<td>$41</td>
<td></td>
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<tr>
<td><strong>Intangible Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible Assets</td>
<td>$130</td>
<td>$140</td>
<td>$150</td>
<td></td>
</tr>
<tr>
<td>Accumulated amortisation (-)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$449</strong></td>
<td><strong>$500</strong></td>
<td><strong>$571</strong></td>
<td><strong>$0</strong></td>
</tr>
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#### LIABILITIES

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<tr>
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<th>2001</th>
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<th>2004</th>
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</thead>
<tbody>
<tr>
<td><strong>Current Liabilities</strong></td>
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</tr>
<tr>
<td>Current Liabilities - Spontaneous</td>
<td>$148</td>
<td>$166</td>
<td>$223</td>
<td></td>
</tr>
<tr>
<td>Current Liabilities - Interest bearing</td>
<td></td>
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<tr>
<td><strong>Other liabilities</strong></td>
<td></td>
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</tr>
<tr>
<td>Term debt</td>
<td>$19</td>
<td>$13</td>
<td>$12</td>
<td></td>
</tr>
<tr>
<td>Mortgages</td>
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</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2001</td>
<td>2002</td>
<td>2003</td>
<td>2004</td>
</tr>
<tr>
<td>--------------------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>$167</td>
<td>$179</td>
<td>$235</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td>$282</td>
<td>$321</td>
<td>$336</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Net Working Capital</strong></td>
<td>-$7</td>
<td>$0</td>
<td>$14</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Other Data Section</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of full-time equivalent Staff</td>
<td>5.00</td>
<td>5.00</td>
<td>7.50</td>
<td>7.50</td>
</tr>
<tr>
<td>% of turnover from products &lt; 2 yrs old</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Economic Factors and Ratios Section</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WACC</td>
<td>8.8%</td>
<td>8.8%</td>
<td>8.7%</td>
<td>na</td>
</tr>
<tr>
<td>EVA NOPAT</td>
<td>$139</td>
<td>$157</td>
<td>$248</td>
<td>$0</td>
</tr>
<tr>
<td>EVA Capital</td>
<td>$90</td>
<td>$105</td>
<td>$72</td>
<td>$0</td>
</tr>
<tr>
<td>Capital Charge</td>
<td>$8</td>
<td>$9</td>
<td>$6</td>
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</tr>
<tr>
<td>Economic Value Added</td>
<td>$131</td>
<td>$148</td>
<td>$242</td>
<td>na</td>
</tr>
<tr>
<td>Working Capital Ratio</td>
<td>0.50</td>
<td>0.47</td>
<td>0.47</td>
<td>0.00</td>
</tr>
<tr>
<td>Net Earnings Before Tax</td>
<td>$117</td>
<td>$130</td>
<td>$165</td>
<td>$0</td>
</tr>
<tr>
<td>Earnings/Turnover</td>
<td>0.30</td>
<td>0.22</td>
<td>0.27</td>
<td>na</td>
</tr>
<tr>
<td>Net Assets</td>
<td>$282</td>
<td>$321</td>
<td>$336</td>
<td>$0</td>
</tr>
<tr>
<td>Return on Net Assets</td>
<td>41%</td>
<td>40%</td>
<td>48%</td>
<td>na</td>
</tr>
<tr>
<td>Turnover Trends</td>
<td>0%</td>
<td>53%</td>
<td>6%</td>
<td>0%</td>
</tr>
<tr>
<td>Asset Trends</td>
<td>0%</td>
<td>14%</td>
<td>20%</td>
<td>na</td>
</tr>
<tr>
<td>NOPAT Trends</td>
<td>0%</td>
<td>13%</td>
<td>58%</td>
<td>na</td>
</tr>
<tr>
<td>EVA Trends</td>
<td>0%</td>
<td>13%</td>
<td>64%</td>
<td>na</td>
</tr>
<tr>
<td>Working Capital Ratio Trends</td>
<td>0%</td>
<td>-6%</td>
<td>-1%</td>
<td>na</td>
</tr>
<tr>
<td>Return on Net Assets Trends</td>
<td>0%</td>
<td>-3%</td>
<td>22%</td>
<td>na</td>
</tr>
<tr>
<td>Net Earnings Before Tax Trends</td>
<td>0%</td>
<td>11%</td>
<td>27%</td>
<td>na</td>
</tr>
<tr>
<td>Turnover per FTE</td>
<td>$77</td>
<td>$117</td>
<td>$83</td>
<td>$0</td>
</tr>
<tr>
<td>EVA per FTE</td>
<td>$26</td>
<td>$30</td>
<td>$32</td>
<td>na</td>
</tr>
</tbody>
</table>
APPENDIX H PERFORMANCE REPORT
The following five sections report on our review of your business activities and performance being investigated in this study:

**Section I. Description of the Business**

**Business Nature:**
Z Company Ltd is a trading name of xxx Ltd, who only involves accommodation services. The company's business assets include holiday or investment properties of about 28 investors in Akaroa.

Although the company has just been established for half year to now, it is a well known accommodation operator in Akaroa for its well established brand, excellent location in Akaroa and good range of accommodation and services. Z Ltd has 40 different rooms for tourists and conferences. It also provides food and wine services for its customers.

**Customer value proposition:**
Z Ltd provides a 'good value for money' range of accommodation that suit all budgets. Its products and services are personalised to different needs of its customers.

**The critical success factors of the business:**
- The people: the proprietors have had qualifications and a wide range of experiences in the accommodation and hospitality sector in New Zealand and overseas.
A good range of historic and beautiful accommodations that is associated about Akaroa characteristics.

Excellent waterfront locations to waterfronts and the Main Wharf.

Personal conference package and cater to individual needs of its customers.

Akaroa Village Inn is a well known trading name for many years and visitors have associated some meanings with the name in relation with Akaroa experience.

The beauty and views of Akaroa, the availability of restaurants, bars and entertainment as the major contributing factors.

Key performance indicators:
Money in the Company’s bank account; Profitability (much focused); Occupancy Rates; Pricing, Sales, Returns of Investments (ROI) and Returns on Assets (ROA).

Section II. Objectives of the owner(s)
1. To maximise rates of return to the business.
2. To provide an increasing rate of financial returns to their property proprietors.
3. To provide self employment and chance for personal growth.
4. To be able to work in a nice environment where the owner(s) can secure a good lifestyle for their family.
5. To save as much money as they can in terms of staffs in winters.
6. To pay off the business’s loan as fast as possible.
7. To develop a competitive pricing strategy.

Section III. Summary of the Business’s Performance

Table 1 Summary of the Business performance indicators of the Company H571 (1) Unit ($, 000)

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales/turnover</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>Profit before personal drawings (PBPD)</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>Normalised profits (NP)</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>ROA</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>ROI</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>EVA</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
</tbody>
</table>

Note: na indicates not available data

Section IV. Performance Trends

Table 2 Summary of the performance trends of the Company H571 (1)

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover trends</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>PBPD trends</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>NP trends</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>ROA trends</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>ROI trends</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>EVA trends</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
</tbody>
</table>

Note: na indicates not available data
Section V. Performance Interpretations

1. Measuring Performance against the Objectives of the Owner(s)
Due to the unavailability of the financial data of the company, the researcher is unable to interpret the performance of the Company compared against the objectives of the owner(s).

2. Measuring Performance against the Sector Average
It is important to recognise that the objectives of the owner(s) in small and medium sized enterprises (SMEs) do not necessarily reflect the objectives of the market (i.e. the sector average) which is a ‘more reliable’ picture of the performance of the business.

Because of the limited availability of the data, there were only two averages of the Akaroa sector (EVA and EVA trends) available to be calculated. Moreover only the averages of some years of the figures in all four years 2001-2004 were obtained.

Figure 1 and 2 shows the performance of the Akaroa tourist sector and its trends over the years 2001-2004. On average, the sector has performed relatively low with an annual profit of $10,000-$50,000 per business. The trend of growth of the sector increased has been going down sharply in the years 2001-2004.

Van Thi Nguyen (signed)
Graduate Researcher

Jack Radford (signed)
Supervisor
Senior Lecturer in Commerce Division

David Simmons (signed)
Supervisor
Professor of Tourism
APPENDIX I TOURISM STATISTICS

Table 11 Guest nights and growth rates of Christchurch and Canterbury\textsuperscript{45} in years 2000-2005

<table>
<thead>
<tr>
<th>Year</th>
<th>Guest nights</th>
<th>Annual growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>3,521,829</td>
<td>8.8%</td>
</tr>
<tr>
<td>2002\textsuperscript{46}</td>
<td>3,796,336</td>
<td>7.8%</td>
</tr>
<tr>
<td>2003</td>
<td>3,837,326</td>
<td>1.1%</td>
</tr>
<tr>
<td>2004</td>
<td>4,208,308</td>
<td>9.7%</td>
</tr>
<tr>
<td>2005 (ended July)</td>
<td>2,619,519</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

Source: Combined from the CAM\textsuperscript{47} data tables of Christchurch and Canterbury region, New Zealand Statistics, retrieved on 14 September 2005

Table 12 Estimated guest nights in Akaroa in years 2003-2005

<table>
<thead>
<tr>
<th>Number of visitors</th>
<th>Domestic</th>
<th>International</th>
<th>Guest nights\textsuperscript{48}</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>64,500</td>
<td>55,600</td>
<td>107,000</td>
</tr>
<tr>
<td>2003</td>
<td>65,210</td>
<td>56,212</td>
<td>108,177</td>
</tr>
<tr>
<td>2004</td>
<td>70,757</td>
<td>60,993</td>
<td>117,379</td>
</tr>
<tr>
<td>2005\textsuperscript{49}</td>
<td>68,340</td>
<td>58,910</td>
<td>113,370</td>
</tr>
<tr>
<td>2005\textsuperscript{50}</td>
<td>117,154</td>
<td>100,989</td>
<td>218,143</td>
</tr>
</tbody>
</table>

Illustration: 2003X = 2002X * Estimated annual rate 2003 (in Table 6)

Table 13 Age and Gender of Interview Respondents against Akaroa and Christchurch population 2001

<table>
<thead>
<tr>
<th>Age</th>
<th>Less than 15 years</th>
<th>15-64 years</th>
<th>More than 65 years</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Study</td>
<td>0.00%</td>
<td>83.30%</td>
<td>16.60%</td>
<td>58%</td>
<td>42%</td>
</tr>
<tr>
<td>Akaroa Census</td>
<td>10.90%</td>
<td>57.80%</td>
<td>31.30%</td>
<td>41.20%</td>
<td>58.30%</td>
</tr>
<tr>
<td>Christchurch Census</td>
<td>9.50%</td>
<td>67%</td>
<td>13.50%</td>
<td>48.20%</td>
<td>51.80%</td>
</tr>
</tbody>
</table>

\textsuperscript{45} According to the Regional Tourism Organisation, Christchurch and Canterbury Marketing indicated tourism data for Christchurch and Canterbury region.
\textsuperscript{46} 2005 ended July. The rate was calculated in comparison with the 2004 ended July (2,472,334 guest nights).
\textsuperscript{47} There are two data sources of Commercial Accommodation Monitor (CAM) and Domestic Tourism Monitor (DTM). The research used CAM data because it is more reliable than DTM data (Butcher et al, 2003).
\textsuperscript{48} Guest nights in both commercial and non-commercial accommodation are combined in Table 12.
\textsuperscript{49} 2005 ended July
\textsuperscript{50} 2005 ended Dec. The calculation: 2005 ended Dec = 2005 ended July / 7 *12 months.
In my business, I still find the Bottom Line (Profitability) is the easiest measure of my business success

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>1</td>
<td>12.5</td>
<td>14.3</td>
<td>14.3</td>
</tr>
<tr>
<td>Agree</td>
<td>3</td>
<td>37.5</td>
<td>42.9</td>
<td>57.1</td>
</tr>
<tr>
<td>Neutral</td>
<td>3</td>
<td>37.5</td>
<td>42.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>7</td>
<td>87.5</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>System</td>
<td>1</td>
<td>12.5</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>8</td>
<td>100.0</td>
<td></td>
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</tbody>
</table>

In my business, I still find Cash flow is the easiest measure of my business success

<table>
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<th>Percent</th>
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<th>Cumulative Percent</th>
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<tbody>
<tr>
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<td></td>
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</tr>
<tr>
<td>Agree</td>
<td>3</td>
<td>37.5</td>
<td>42.9</td>
<td>42.9</td>
</tr>
<tr>
<td>Neutral</td>
<td>2</td>
<td>25.0</td>
<td>28.6</td>
<td>71.4</td>
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<tr>
<td>Disagree</td>
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<td>25.0</td>
<td>28.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>7</td>
<td>87.5</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>System</td>
<td>1</td>
<td>12.5</td>
<td>100.0</td>
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</tr>
<tr>
<td>Total</td>
<td>8</td>
<td>100.0</td>
<td></td>
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</table>

In my business, I still find EVA is the easiest measure of my business success

<table>
<thead>
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<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
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<td>28.6</td>
<td>28.6</td>
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<td>12.5</td>
<td>14.3</td>
<td>42.9</td>
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<td>85.7</td>
</tr>
<tr>
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<td>12.5</td>
<td>14.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>7</td>
<td>87.5</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>System</td>
<td>1</td>
<td>12.5</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>8</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The EVA concept captures all actual financial costs and profits of my firm

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
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<tr>
<td>Strongly Agree</td>
<td>1</td>
<td>12.5</td>
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<td>14.3</td>
</tr>
<tr>
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<td>5</td>
<td>62.5</td>
<td>71.4</td>
<td>85.7</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>12.5</td>
<td>14.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>7</td>
<td>87.5</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing</td>
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<td></td>
</tr>
<tr>
<td>System</td>
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<tr>
<td>Total</td>
<td>8</td>
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</table>
The EVA would assist me make decisions

<table>
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<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
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<tr>
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<td></td>
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</tr>
<tr>
<td>Strongly Agree</td>
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<td>14.3</td>
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<td>4</td>
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</tr>
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</tr>
<tr>
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<td>1</td>
<td>12.5</td>
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<td>100.0</td>
</tr>
<tr>
<td>Total</td>
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<td>100.0</td>
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<tr>
<td>System</td>
<td>1</td>
<td>12.5</td>
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</tr>
<tr>
<td>Total</td>
<td>8</td>
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<td></td>
</tr>
</tbody>
</table>

The EVA helps identify the key areas of productivity in my firm's operation

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
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<tbody>
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<td>57.1</td>
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<tr>
<td>Disagree</td>
<td>2</td>
<td>25.0</td>
<td>28.6</td>
<td>100.0</td>
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<tr>
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<td>100.0</td>
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The EVA will be feasible to use for my firm

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The EVA will be useful to my firm

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The EVA reflects the sustainability of a tourism business

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The EVA measure should have a significant impact on my firm's operation

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The EVA measure should help the manager(s) of my firm to influence the intended outcomes

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The EVA measure should be designed in the way that the operating staff readily grasps it

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The EVA measure should be designed in the way that the required information is relatively easy to track or record

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I will see my business success in terms of Cash flow

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I will see my business success in terms of Bottom Line (Profitability)

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I will see my business success in terms of Economic Performance Measure like EVA

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I will adopt EVA measure as a business success measuring tool

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APPENDIX L DESCRIPTIVE STATISTICS 2
## Table 14 Frequencies, Means and Standard Deviations

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<thead>
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<th>Description</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
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<tbody>
<tr>
<td>In my business, I still find the Bottom Line (Profitability) is the easiest measure of my business success</td>
<td>7</td>
<td>2.29</td>
<td>.756</td>
</tr>
<tr>
<td>In my business, I still find Cash flow is the easiest measure of my business success</td>
<td>7</td>
<td>2.86</td>
<td>.900</td>
</tr>
<tr>
<td>In my business, I still find EVA is the easiest measure of my business success</td>
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<td>2.43</td>
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<tr>
<td>The EVA concept captures all actual financial costs and profits of my firm</td>
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<td>2.14</td>
<td>.900</td>
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<tr>
<td>The EVA would assist me make decisions</td>
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<td>2.29</td>
<td>.951</td>
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<td>The EVA helps identify the key areas of productivity in my firm's operation</td>
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<td>2.71</td>
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<td>The EVA will be feasible to use for my firm</td>
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<tr>
<td>The EVA will be useful to my firm</td>
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<td>2.14</td>
<td>.900</td>
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<tr>
<td>The EVA reflects the sustainability of a tourism business</td>
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<td>.951</td>
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<td>1.000</td>
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<td>1.000</td>
</tr>
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<td>I will see my business success in terms of Bottom Line (Profitability)</td>
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</tr>
<tr>
<td>I will see my business success in terms of Economic Performance Measure like EVA</td>
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<td>2.14</td>
<td>.900</td>
</tr>
<tr>
<td>I will adopt EVA measure as a business success measuring tool</td>
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<td>.951</td>
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<tr>
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Note: The above items (i.e., statements) were recorded and analysed from positive to negative (i.e., 1: the most preferred → 4: the least less preferred; 1: strongly agree → 5: strongly disagree)
Table 15 Means and Standard Deviations (a)

<table>
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Note: The above items were recoded and analysed from negative to positive (i.e., 1: the least less preferred → 4: the most preferred)

Table 16 Means and Standard Deviations (b)

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<td>1.000</td>
</tr>
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<td>I will see my business success in terms of Bottom Line (Profitability)</td>
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<tr>
<td>Valid N (listwise)</td>
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</table>

Note: The above items were recoded and analysed from negative to positive (i.e., 1: strongly disagree → 5: strongly agree)
APPENDIX M CALCULATIONS OF EVA AND WACC
Table 17 Financial summary of the Akaroa tourism firms against the sector (average) in 2004

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## Table 18: WACC Calculations

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| NZSIC5 P         | 2 150                |
| NZSIC6 C         | 232 150              |
| NZSIC7 C         | 0 150                |
| NZSIC8 C         | 0 150                |
| NZSIC9 C         | 0 150                |
| NZSIC10 S        | 0 150                |

| NZSIC1            | C 179                 |
| NZSIC2            | P 0                  |
| NZSIC3 C         | 0 150                |
| NZSIC4 C         | 0 150                |
| NZSIC5 P         | 2 150                |
| NZSIC6 C         | 278 150              |
| NZSIC7 C         | 0 150                |
| NZSIC8 C         | 0 150                |
| NZSIC9 C         | 0 150                |
| NZSIC10 S        | 0 150                |

| NZSIC1            | C 167                 |
| NZSIC2            | P 0                  |
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| NZSIC5 P         | 1 150                |
| NZSIC6 C         | 0 150                |
| NZSIC7 C         | 0 150                |
| NZSIC8 C         | 0 150                |
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WACC Calculation Details:
- **Risk Free Rate (Rf)**: 6.2%
- **Company Tax (Tc)**: 33.0%
- **WACC Calculation**:
  - **2004**: 7.2%
  - **2003**: 8.6%
  - **2002**: 8.6%
  - **2001**: 8.6%