FINANCIAL MANAGEMENT SKILLS IN SMALL TOURISM BUSINESSES: AN EXPLORATORY STUDY

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ABSTRACT

Many Irish tourism enterprises are family-owned micro businesses, sometimes in peripheral locations, with a people and lifestyle focus, so they may be vulnerable financially. Therefore, this research paper aims to diagnose the level of financial management capability in twelve owner-managed activity centres, restaurants and accommodation businesses, using interpretive exploratory interviews.

The research literature defines capability to include intrinsic awareness, prior training and business experience of the owner-manager, together with the use of information systems and support from external advisers. Empirical findings confirm gaps in competencies across the sample group. Suggestions are made for the external accountant to mentor improvement in financial capability through non-compliance services via local networks.

INTRODUCTION

Tourism encompasses a range of activities, including accommodation, activities, visitor attractions, food and drink, festivals and transport. The direct contribution of travel and tourism to gross domestic product (GDP)[1] in Ireland in 2012 was €3.6 billion, contributing 42,000 jobs directly in 2012 (World Travel and Tourism Council, 2013, p. 3). This paper presents the findings of exploratory interviews at twelve locations in the Irish tourism industry, covering owner-managed activity centres, restaurants and accommodation. Due to time constraints, only an hour of interview time was granted at the case sites, as a result of which a full case study approach was not possible. Instead, exploratory interviews were feasible with some brief description of each business and its founders.

The background to the study is set out through examination of relevant reports of Fáilte Ireland,[2] the Chartered Institute of Management Accountants (CIMA) Ireland, the Association of Chartered Certified Accountants (ACCA) and professional bodies representing small firms, with additional commentary provided by key informants working in the industry. Moving to the literature review, the issues facing owner-managers are considered and the competencies they require are identified. Next, the research objectives are set out and the associated research questions formulated. The main research objectives (RO) articulated after the study context and literature review were:

RO1: To explore the training and qualifications, financial management awareness and prior business experience of owner-managers and their participation in Tourism and Learning Networks (TLNs).

RO2: To examine the information systems currently in use to run the business, together with approaches adopted by owner-managers in managing risk, and to identify any gaps in these compared to best practice.

RO3: To examine the degree of interaction with external accountants and the satisfaction levels of owner-managers with this support.

The methodology of the study and choice of case sites in the fieldwork are then described. Interview findings follow, with the results for each research question being discussed. Some recommendations for improved support for owner-managers are identified. These relate to the need to improve the financial management capabilities of owner-managers in the tourism sector and the under-utilisation of non-compliance services from these accounting practices.

STUDY CONTEXT

The European Commission (2011) standardised the definition of small and medium-sized enterprises (SMEs), due to member states having individual definitions of what constituted European SMEs. Three broad parameters emerged: *micro* entities have up to 10 employees; *small* companies employ up to 50 workers; and *medium*-sized enterprises employ up to 250 employees. Quinn and Crean (2012, p. 35) note that in Europe, SMEs have surpassed 'larger enterprises in terms of employment growth' and 'their significance is on an upward spiral'. The Irish Small and Medium Enterprises Association (ISME) made a strong case for the indigenous SME sector in its pre-budget submission for 2010:

> It should not go unnoticed that SMEs have consistently demonstrated that, if provided with the right economic conditions, they have the ability to deliver us out of the current economic situation as employment and wealth creators (Irish Small and Medium Enterprises Association, 2009, p. 15).

In the Irish services sector, of which tourism is a part, almost all (98 per cent) enterprises are small (Central Statistics Office, 2008, p. 6). There are over 82,100 small enterprises in this sector, of which almost half (47 per cent) are family owned, with most employing fewer than ten people. In relation to the Irish tourism sector, Duffy (2007) reports that the majority of firms are SMEs and in many cases are micro family-owned enterprises. Ten of the twelve case sites in this study were micro tourism firms. Morrison and Teixeira (2004, p. 167) discuss the traditional image of small tourism businesses as one where the maintenance and protection of a certain 'lifestyle' would be prioritised over a commercial focus on profit maximisation, further highlighting the need for training. Because of this lifestyle preference, as well as their small size and sometimes peripheral location, many small and micro tourism firms are financially vulnerable and ill-equipped to face their many challenges, which are now discussed.

THE CHALLENGES FACING IRISH SMES

The people in tourism businesses are vital, as these businesses are essentially hands-on and provide an experience for a guest in a hotel, a diner in a restaurant or a sports enthusiast on an activity holiday. The right training is vital for the owner-managers:

> The story of successful tourism enterprises is one that is largely about people … how they are trained and educated, how they are valued and rewarded, and how they are supported through a process of continuous learning (Fáilte Ireland, 2005, p. 8).

In Ireland, SMEs tend to make poor use of information technology (IT) (Central Statistics Office, 2008, p. 7), with 'large enterprises … more than four times as likely as small ones to use ICT to manage orders'. IT is required to cope with online bookings, currently accounting for 56 per cent of all bookings in the Irish hotel industry, with many hotels up-skilling in digital marketing in 2013 (Allied Irish Banks, 2013).

In her article, O'Sullivan (2009) quoted Denis McCarthy, CIMA Ireland's Divisional Director, who has called for an infusion (into SMEs) of highly skilled graduates, some of whom should be accountants, but all of whom must have a diverse skill set, who can add value by bringing with them increased versatility, fresh insights, specialist expertise and compliance-based qualifications.

Morrison and Teixeira (2004, p. 167) discuss the traditional image of small tourism businesses as one where the maintenance and protection of a certain 'lifestyle' is prioritised over a commercial focus on profit maximisation. Caeman Wall, Head of Research at Fáilte Ireland, recently noted that:

> … traditionally financial skills have not been strong in the hotel industry, simply because people skills matter more in terms of customer experience (cited in Allied Irish Banks, 2013, p. 15).

First reported by Irvine and Anderson (2004, p. 234), the phrase 'fragility of smallness' was used by Morrison and Conway (2007) to describe the financial vulnerability of small Scottish hotels in peripheral locations, faced with the competitive threat of an influx of budget hotels.

Similarly in Ireland, Murphy (2008, p. 62) notes the introduction of branded hotels into 'an industry that traditionally comprised smaller, family-run businesses'. Between 2004 and 2008, overall capacity increased by 34 per cent, from 45,000 to 60,000 bedrooms (BDO, 2013) with indications of the room stock being infiltrated by national chains (roughly 12 per cent) and international chains (10 per cent), with the balance coming from independent hotels (Allied Irish Banks, 2013, p. 7).

This development poses challenges for smaller hotel operators, calling for greater financial management awareness. Similar concerns apply to the Irish restaurant industry, which employs 64,000 people, contributing about €2 billion annually to the Irish economy and comprising a large number of owner-operated SMEs, as 'a vibrant restaurant sector is crucial to a successful tourism "product"' (Restaurant Association of Ireland, 2009, p. 2).

FINANCIAL CAPABILITY OF OWNER-MANAGERS

The Association of Chartered Certified Accountants (2012, p. 6) defines financial capability as comprising three levels of competency: business planning, management reporting and employment of financially trained staff. Given the scarce research literature on financial management in owner-managed Irish tourism businesses, these issues were discussed by the researcher with senior managers of Fáilte Ireland at orientation meetings (where the researcher met to fine-tune the research objectives and seek approval of the case sample) and with eight additional key informants (KIs) (referred to as KI/1 to KI/8), before the empirical work commenced. The backgrounds of these KIs are detailed in Appendix I.

At one of the orientation meetings, the Director of Strategic Development at Fáilte Ireland commented that 'while many small hoteliers are articulating a vocabulary that is connected with financial metrics, they have impoverished financial literacy'. One key informant (KI/8) commented on the tendency for SME hotel managers to manage intuitively, and, to a large extent, to neglect planning, preferring to interact with customers:

> *Managers are happier reacting, rather than being pro-active* … so they don't find sufficient time for planning …. Planning is low in the order of priorities … that, I think, is the *fundamental weakness* (emphasis added).

The view of another Fáilte Ireland senior manager concurred with this, noting that management time is taken up with crisis issues and so there is no time to plan forward. Pat McCann, CEO of Dalata Hotel Group, also commented on the weakness:

> There is a need for hoteliers to up-skill their finance skills – many still do not produce regular P&L reports (cited in Allied Irish Banks, 2013, p. 14).

Caeman Wall, Head of Research at Fáilte Ireland, recently commenting on the hotel sector, noted:

> Fáilte Ireland and others have been focussed on up-skilling the sector in relation to business planning and financial management. But there is still some way to go (cited in Allied Irish Banks, 2013, p. 15).

It is necessary to inquire further into the financial management information/management reporting systems in use internally and the support from the in-house finance function/external accountant.

INFORMATION SOURCES FOR OWNER-MANAGERS

Irish evidence (as noted in KI comments below) shows that small businesses tend to simply prepare and use financial accounts which are past-oriented and lack predictive information. When the firm is run on this basis, the Fáilte Ireland senior manager (cited earlier) commented, 'it is effectively like managing performance, while looking through a rear-view mirror.' The internal systems are often limited in analytical content, with KI/6 commenting, 'top-line revenue and profit but little analysis in-between'. KI/2 observed: 'A lot of them are very cost conscious, but not as conscious of profitability.'

The Need for External Support for Owner-Managers

In a similar vein, KI/1 commented on 'the need for IT support – accountancy that is relevant and makes immediate impact'. A representative of the Irish Hotels Federation (KI/3) also mentioned the lack of time available to the owner-manager to do the books. KI/3 highlighted the lack of internal accountants in small (<80 bed) hotels, which instead employ a bookkeeper, 'who would have a set way of compiling information'. The outside accountant, he commented, 'typically does the VAT and PAYE returns and the audited accounts', an observation echoed by KI/2, a hotel industry accounting consultant. KI/5, who manages the online Business Tools website for Fáilte Ireland, observed that 'one of the weaknesses of the industry generally is that, due to size, small hotels wouldn't have an in-house accountant.' Finally, another senior Fáilte Ireland manager, who commissioned the *Food Cost Report* (HBC, 2009) study (carried out by KI/4), commented on the need for the accountant to understand the culture of the restaurateur:

> Accountants need to be talking the right language – also the restaurateur needs to be able to talk in the language of the accountant, such as cost per meal efficiency levels – can you get more from what you are putting in?

To summarise, this backdrop to the research serves to establish that micro tourism businesses within the SME sector make a valuable contribution to both the overall Irish economy and to tourism. However, questions need to be asked as to the competencies of owner-managers in running these businesses, the gaps in the information systems they use and their need for better support from their external advisers, particularly accountants.

LITERATURE REVIEW: SME CHALLENGES

The relatively small size of SMEs gives rise to certain challenges, some of which are now considered.

Financial Management Skills and Practices and the Role of Networks

Kearney and Lavin (2005), assessing the key competencies required by six Irish owner-managers for business success, concluded that the *owner-managers* were central to the strategic success of any SME. Hannon and Atherton (1998) identified the need for specific competencies in the areas of financial management, business continuity, human resources, training and general management. However, due to their small size and limited in-house talent employed, these skills can be missing in many SMEs (Blackburn and Jarvis, 2010). As a result, the owner-manager compensates by frequently seeking external advice and support. In turn, these gaps in competencies hinder the sustainability of the firm.

Turning to financial competencies, in a survey based in the United Kingdom (UK), Burgess (2007) addressed hotel controllers regarding the sufficiency of the financial skills of hotel managers to manage their areas. The controllers acknowledged that, while operational managers (running individual hotels in the chain) were good at customer care, there was a need for them to develop financial skills. Perren, Berry and Partridge (1999) concluded:

> … that owner-managers move from informal methods of financial management and decision-making to more formal methods as their businesses develop (cited in Deakins, Logan and Steele, 2001, p. 17).

Collis and Jarvis (2002) have noted that owner-managers of small companies in the UK rely on two external sources of information – the bank and the external accountant – and place a lot of reliance on cash management and the management of their relationship with the bank. Also, they do not tend to produce their own in-house financial management information.

The financial management practices of owner-managers have been studied over a long period by Deakins et al. (2001), whose important research is now summarised. Their evidence suggests 'that the learning process in small firms is a crucial part of their evolution. The entrepreneur learns through experience' (p. 6). Financial management practices are altered by owners in an evolutionary way; often a critical event can force change and such events can be critical in determining their learning. If the owner-manager is embedded in a network of advisers, this has significant influence on their financial management practices, with the role of accountants having strong potential to get involved in these networks, to ensure that the learning is more efficient. Policy makers were considered to have a role in facilitating such networks (such as Fáilte Ireland). Thus, networks are considered next.

As already noted, small hospitality businesses are reported to have weaknesses relating to planning for training, perceiving it to be a cost rather than an investment (Knowles, Diamantis and El-Mourhabi, 2004). Down (1999, p. 268) elaborates on *networks*, explaining that 'small firm managers' skills and knowledge develop largely through their existing social relationships within their organisations and with other businesses and organisations in a network of relations.' In the small firm literature, *networks* have been noted nationally and internationally as the essential support structure in any training intervention to help entrepreneurs to learn (Kelliher, Foley and Frampton, 2009; Morrison and Teixeira, 2004).

The use of networks would appear to have a positive effect on the quality of this experiential learning (Deakins and Freel, 1998). Tourism and Learning Networks (TLNs) are a response to this reality and are organised in the regional areas by Fáilte Ireland for owner-managers of micro tourism enterprises. Kelliher et al. (2009, p. 81) report that there are '35 networks throughout Ireland'. The TLNs are focused on action-based learning, encouraging participation and interaction, with a minimum of 25 participants in each one. The Extranet is a follow-up web community set up after the TLN events have finished, whereby participants can keep in touch through online discussion groups.

Information Systems: Planning, Performance and Risk Management

The use of IT to improve the availability, frequency and ease of communication of management information for the owner-manager has been deemed essential by Collis and Jarvis (2002, p. 102). In research produced nearly ten years later, the Association of Chartered Certified Accountants (2012, p. 10) noted that during downturns, there tends to be a renewed interest in financially oriented analytics that would leverage better financial management. This demand was mentioned by a software provider when interviewed during the latter ACCA research, noting:

> … numerous requests from SMEs for software improvements which provide more detailed management reports … allowing much closer control of costs and profit margins (Association of Chartered Certified Accountants, 2012, p. 10).

Financial information systems can be past-orientated and, as a result, are flawed as they are not providing predictive information to steer the business forward. Tourism operators have a culture of greeting and serving the customer (in the front office), but also need the hard discipline of analytics (in the back office). The need to analyse and present *insights*, not just information, to the user is vital and is facilitated by business intelligence (BI) systems, bringing them to a higher level than ordinary management accounting systems, as recommended by Davenport (2006).

A typical BI 'stack' is explained by Simons (2009):

> At the bottom, all info sources are collected within business transactions. The data is put into a repository and the next level is accessing it and the next level is creating flexibility around that data and the final level is information presentation.

Planning

With the owner-manager playing multiple roles, there is a consequent lack of 'thinking time' away from the day-to-day running of the business (Harris and Brander-Brown, 1998; Harris, 2011). Consequently, these businesses often operate in a reactive rather than a proactive way, neglecting planning and identification of risks. In the UK SME sector, McElwee and Warren (2000) have also noted the weak strategic planning skills of owner-managers. Particularly in times of crisis it pays to be analytical, as Moores (2003, p. 11) observes:

> In times of crisis, there is usually little investment in analysis and reflection. The meat-cleaver approach takes priority over putting the brain to work.

Performance Management

This requirement to provide *insights* rather than just information is vital in a world where, to achieve performance improvement, the business model is being squeezed all the time to generate gains. Cronin (2009), a leading management consultant in the area of performance improvement, recently wrote:

> The world has now changed, minimizing revenue loss, cutting cost and conserving cash is what really matters. Analyzing that 0.5% drop in margin, challenging that supplier for cost and service, struggling with that pricing decision, screaming for that cost analysis, and reducing headcount have all become the priorities of the day. … Converting to an agile model with the appropriate mix of fixed and variable cost to meet market demands is key (Cronin, 2009, p. 45).

Risk Management and Sustainability

This is more than a box-ticking issue. The true benefit is when insight into risk has the ability to create valuable management information, turning what was a compliance issue into a tool for creating profits and sales (Trigwell, 2009). The management of SMEs' business, financial and reputational risk is at the core of the sustainability issue (Woods and Dowd, 2008).

The Role of External Advisers Including Fáilte Ireland

At a CIMA conference[3] on the importance of small companies for the future of the Irish economy, eminent speakers, including Professor Garelli[4] (2008) and Professor Young (2008), stressed the importance to the Irish economy of such companies having a niche strategy and the need for them to move from 'managing a product to managing a result' and become *outcome-based* companies (Garelli, 2008). This change requires a finance function with qualities that can drive value for the company.

Due to the absence of an internal accountant/finance function, the low level of financial capability of the owner-managers and their lack of time for planning, key informants have already mentioned that the external accountant and the bank tend to be the key advisers on financial matters. The literature in this area concurs: this reliance reduces the owner-managers' isolation and self-dependency (Deakins et al., 2001); the dominant approach for the survival and development of SMEs – needing competencies to survive in a changing environment – is to buy in resources, in terms of advice and support (Teece, Pisano and Shuen, 1997). Furthermore, accountants were referred to as 'trusted' advisers of SMEs (Blackburn and Jarvis, 2010).

The external accountant is the adviser who prepares annual accounts and tax returns for the Companies Office, with an audit exemption likely applicable to most micro businesses. However, the owner-manager has the choice to avail of other value-added services from this source. ACCA research by Schizas, Jarvis and Daskalakis (2012) commented that the issue of providing value-added services to

SMEs by small and medium accountancy practices is on the agenda of the accountancy bodies. Due to deregulation and rising audit thresholds around the world, a reduction in demand for traditional compliance work, so crucial to the income of these practices, has been observed. A report by Blackburn and Jarvis (2010) for ACCA demonstrates how external accountants can build on a combination of empathy and social rapport to generate trust with their SME clients, once compliance tasks have been completed. Then, practices can go forward and market value-added non-compliance services to their clients.

The 'timeliness of the accountant's interventions was seen as an advantage of using a small accounting practice' (Marriott, Marriott, Collis and Son, 2008, p. 18). Taking into account the preference of owner-managers for face-to-face meetings with advisers, Johnson, Webber and Thomas (2007) suggest proximity as yet another factor favouring local accountants. However, Doran's (2006) Irish study, noting an Institute of Chartered Accountants in England and Wales (2003) recommendation that practitioners re-focus their efforts towards value-added/non-compliance services, found some of the respondents in her study 'questioned the ability of their current accountant to provide these services' (Doran, 2006, p. 23).

Deakins et al. (2001) noted that involvement by advisers, including accountants, in the networks used by the owner-managers would help their learning, decision-making and ultimately financial management practices. Any intervention to help owner-managers must be based on 'helping the entrepreneur to learn rather than imposing prescribed solutions and (top-down) management consultancy' (Deakins et al., 2001, p. 52). Their research concludes that the accountant performs two basic functions: that of an agent preparing the accounts, tax and doing the audit (external reports), 'and that of a business consultant advising on the internal management planning, decision-making and control reports that will assist the owner-manager in the management of the small firm' (Deakins et al., 2001, p. 7). The owner-manager, they caution, must understand the difference between the two functions, to stand a chance of identifying the necessity for both. Blackburn and Jarvis (2010, p. 26) suggest that accountants could function as adviser, mentor and coach, 'working with the businesses rather than being mere one stop shops'. This new role would require the accountant to have an understanding of the context and cultural environment of the SME.

The accountant must make space for discussion and unpack his/her client's thinking on any important matter (Martin, 2005). Interestingly, a second recommendation made by Blackburn and Jarvis (2010, p. 26) suggested that these firms could develop their businesses further by focusing on a specific industry sector or field of accountancy: 'allow them to develop accounting specialisms linked for example, to the music industry.' This proposal has merit, but may only apply in locations where there is a large concentration of a particular industry. Marriott and Marriott (2000, p. 1) identify:

> … significant potential for accountants to expand the management accounting services they provide to smaller companies, especially where information is presented as ratios or graphs and accompanied with an appropriate narrative interpretation.

Another source of external advice, Fáilte Ireland (being a professional body serving the industry), provides significant support in the form of workshops, its own website, regional TLNs, web advice from IT consultants and online benchmarking tools – for example, the Fáilte Ireland Business Tool[5] financial benchmarking web-based facility for key performance metrics, the Fáilte Ireland Optimus[6] programme and the Fáilte Ireland Biz Check[7] tool. These supports were reviewed by the researcher but are not reported in this paper. As listed above, these are largely concerned with helping the owner-manager to improve his/her website and to track financial benchmarking of costs and room rates for example.

Having completed the literature review, the following research objectives are suggested.

RESEARCH OBJECTIVES (RO) AND RESEARCH QUESTIONS (RQ)

Based on the insights gained from the study context, including the observations of the key informants, together with the review of the literature, the following research objectives (ROs) and research questions (RQs) were developed – see Table 1.

TABLE 1: RESEARCH OBJECTIVES AND ASSOCIATED QUESTIONS

Research Objectives	Research Questions
RO1: To explore the training and qualifications, financial management awareness and prior business experience of owner-managers and their participation in Tourism and Learning Networks (TLNs).	**RQ1:** What is the level of training, qualifications and prior business experience of the owner-managers and is it adequate? **RQ2:** What is their level of financial awareness and have they participated in TLNs and what is their level of satisfaction with these?
RO2: To examine the information systems currently in use to run the business, together with approaches adopted by owner-managers in managing risk, and to identify any gaps in these compared to best practice.	**RQ3:** What is the nature of the information system(s) currently used in running the business, how are they used and what is their level of satisfaction with them?
RO3: To examine the degree of interaction with external accountants and the satisfaction levels of owner-managers with this support.	**RQ4:** What is the nature of their engagement with the external accountant and how satisfied are they with this support?

THE FIELDWORK: METHODOLOGY AND CASE SITES

Scapens (2006) noted the growing concern of the management accounting community to understand management accounting practice, rather than prescribing it. The case study in qualitative research 'involves the researcher in direct contact with organisational settings, conducting in-depth research into actors and their contexts in their naturally occurring settings' (Parker, 2012, p. 54). In a study of published accounting research from 1981 to 2004, Merchant and Van der Stede (2006) revealed that field-based case research has predominated in the management accounting area, confirming the suitability of the interpretive approach and use of the case study method for this research.

In the fieldwork for this study, exploratory interviews at the case sites tried to capture the financial management routines and information systems used by the tourism businesses and to identify any gaps between what was in use and best practice. Due to time constraints, a full case study could not be executed at each case location. Further research is therefore needed to explain in greater detail the reasons for the findings.

Selection of Case Sites and Derivation of Interview Guide

The final selection for the fieldwork consisted of twelve case sites (A to L) representing a diversified sample of tourism businesses, bearing in mind the short time frame available to conduct the research (three months). Prior to undertaking the fieldwork, it was agreed (under advice from Fáilte Ireland's Director of Strategic Development and his senior managers) that the overall sample should include a spread of tourism enterprises, incorporating some case sites in peripheral locations. Also, a cross-section of activity centres was needed, because, as the Director noted, the activity centres drive the demand for accommodation and therefore need to be viable financially. This contact with Fáilte Ireland at the sample selection stage ensured that Fáilte Ireland were happy with the choice of case sites. Indeed they additionally requested that some of the case sites be chosen from their listing of those who had participated in their TLNs.

The case sites at which exploratory interviews were carried out are listed in Figure 1, each case being assigned a pseudonym.

FIGURE 1: CASE SITES

- **A**: Rothar – a cycling company in the West
- **B**: Equus – a riding school in the Midlands
- **C**: Sub Aqua* – a diving centre in the South-West
- **D**: Sea Spa – a seaweed spa in the North-West
- **E**: Island Retreat –a guesthouse in an island location
- **F**: Rustic Lodge* – a guesthouse in a rural Midlands location
- **G**: The Cedars – a hotel subject to a preservation order in the North-West
- **H**: The Oaks – a small indigenous hotel chain in the West
- **I**: Orangerie – a vegetarian restaurant in Dublin
- **J**: Fairways Country Club – a golf and hotel facility in North County Dublin
- **K**: Tonnta* – a surf school in the South-East
- **L**: Castle* – a historic castle used for accommodation in the North-East

* Denotes case sites selected in conjunction with Fáilte Ireland, from their listing of businesses participating in TLNs; balance obtained by researcher

As can be seen in Figure 1, the overall cohort included six accommodation providers (E, F, G, H, J and L); five activity centres (A, B, C, D and K) and one restaurant (I). Two of the accommodation centres (E and G) were in peripheral locations, addressing this requirement.

In order to gauge their usefulness as a training mechanism for up-skilling the participating owner-managers, an over-arching variable of the case selection was to include a sample of participants in TLNs and another sample of those who had *not* done so. At their headquarters, Fáilte Ireland provided the researcher with a confidential listing of those who *had* participated in the past in TLNs, organised by Fáilte Ireland trainers. With their help, four sites were chosen – C, F, K and L (asterisked in Figure 1 above) – which met this requirement. Other case sites, covering those who had *not* participated in TLNs, also needed to be included.

Apart from the four cases chosen at Fáilte Ireland headquarters, this meant that the remaining eight (A, B, D, E, G, H, I and J) had to be identified and contacted by the researcher alone, based on searching the internet for details of activity centres, restaurants, guesthouses and hotels, and follow-up telephone calls. During these searches, which were conducted away from the Fáilte Ireland premises without the benefit of the Fáilte Ireland list, the researcher was unaware whether or not these further eight cases would turn out to have participated in TLNs. In fact, on inquiry during the initial telephone contact, three more case sites (A, G and H) accessed by the researcher herself, also had attended TLNs and five (B, D, E, I and J) had not participated.

Key Informants

As mentioned earlier in the Study Context section, before commencing the fieldwork, a range of interviews was held with eight other key informants (KIs) (see Appendix I). These interviews were recommended by Fáilte Ireland, who grant-aided the study, providing invaluable insights which confirmed matters not covered in the sparse literature on financial management in tourism. The pre-budget submission documents for the Restaurants Association of Ireland (RAI) and the Irish Hotel Federation (IHF) were discussed with KI/1 and KI/3 respectively, to help the researcher understand matters of concern to these significant players in Irish tourism.

Interviews and Protocol

An interview guide with a list of broad topics derived from the review of the literature and the context of the study was used to conduct these unstructured interviews (see sample guide in Appendix II). Also consent forms were completed by each owner-manager, who was interviewed on-site. As one case (K) was run by a husband and wife team, both of whom were interviewed, this gave an overall complement of thirteen respondents. All other case sites just had one person running them.

Analysis of Findings

When the interviews had been completed and transcripts prepared, the next task was to read through them to become familiar with the 'raw' data, as suggested by Saunders, Lewis and Thornhill (2007). This was followed by an analysis of the raw data into sub-themes associated with each research objective (Patton, 1990). A very large analysis sheet was prepared for each objective, with respondents on the vertical column and sub-themes associated with the particular research objective arrayed on the horizontal columns (Patton, 1990). Then, the relevant data were extracted from the transcripts and entered into the appropriate cells.

Having all the data and quotes in relation to one objective available together on one large sheet facilitated the aggregation of the data. The final step in the analysis was to apply cross-case comparison for each large sheet, searching for similarities and differences in the findings. This process was replicated for each of the research objectives. While time-consuming, it provided a structured format for analysing the findings.

Next, the main findings which emerged from the case studies are presented.

EMPIRICAL FINDINGS AND DISCUSSION OF THE RESULTS

It will be recalled that the research had three main objectives. Findings now follow, with a discussion section after the findings for each research objective/research question.

Research Objective 1

RO1: To explore the training and qualifications, financial management awareness and prior business experience of owner-managers and their participation in Tourism and Learning Networks (TLNs).

Findings in relation to the derived research questions RQ1 and RQ2 now follow.

Findings from RQ1: Training, Qualifications and Prior Business Experience of Respondents

RQ1: What is the level of training, qualifications and prior business experience of the owner-managers and is it adequate?

The attainment of educational qualifications was ascertained and is shown in Table 2. As can be seen, just over half (seven) had relevant third-level qualifications, while another three had non-relevant third-level qualifications. The remaining three respondents had not attended third level.

Regarding more specific training, Column D in Table 2 shows that five respondents had availed of this option. For example, some had achieved (vocational) qualifications in teaching riding, diving or surfing (B, C and K) and/or had completed 'start your own business' courses (B).

Taking an overview of these findings, all the interviewees had prior educational and/or vocational attainment. Prior business experience (i.e. having worked as a salaried employee in a business setting) was calibrated on two scales: considerable and minimal. These are indicated in codes in the case site column in Table 2, using superscripts 'c' and 'm'. Two respondents had minimal business experience (m), while eleven had considerable business experience (c), whether in tourism businesses or in some other non-related sector. Considerable business experience would include having set up and run a business before or having some commercial experience at a high level of responsibility.

TABLE 2: TRAINING, QUALIFICATIONS AND PRIOR BUSINESS EXPERIENCE

Training and Qualifications of Respondents (see **columns A to D** across below) **and Prior Business Experience** (see **superscript** in case site names below)

	A	B	C	D
Case site	Undergrad and/or postgrad business or hospitality degrees or diplomas or professional accountancy or higher qualifications in business or hospitality	Non-relevant qualifications meaning non-business degrees or non-accounting degrees or non-finance degrees	No third-level qualifications	Vocational training or FÁS courses or 'Start Your Own Business' course by County Enterprise Boards
A[c]	√			
B[m]		√		√
C[c]		√		√
D[c]	√			
E[c]			√	
F[m]		√		√
G[c]	√			
H[c]	√			
I[c]	√			
J[c]	√			
***K**[cc]			√√	√√
L[c]	√			
Total	7	3	3	5
Overall Total		**13**		**5**

**Note 1:* There were two respondents at Tonnta (K). As they were interviewed together, Tonnta was treated as one case study. So there are twelve case sites in total, but thirteen respondents in total.
Note 2: Respondents at B, C and F had both non-relevant third-level educational attainments and vocational qualifications.
Note 3: Superscript 'm' indicates minimal prior business experience while superscript 'c' indicates considerable prior business experience.

As an example of prior minimal business experience (m), one home economics teacher (F) had purchased a country house and renovated it before her retirement, using savings and a special incentive grant from the County Enterprise Board. Then, on retirement, she spent a year in New Zealand, working in restaurants and hostels, before returning to work in her guesthouse full-time.

Only one of the respondents (D) had previously set up and run his own business (a swim school). Two of the respondents (E and G) had grown up in the family business (a guesthouse and a hotel respectively) and had inherited the businesses from their families. Another (H) had grown up in a hotel business and had married into another small indigenous chain and ran one of the hotels in that chain, as general manager. Four respondents who ran activity businesses – A, B, C and K – had converted a hobby into a business. ‘It was going to be my retirement hobby … family and friends taking pony lessons … but it took off like wildfire’ (B). Owning their own business permitted a lifestyle choice for K.

In sum, the majority of the respondents were new to the rigours of setting up and running their own business, but had worked in other businesses before, as salaried employees, or had grown up in a family business.

Discussion of RQ1: Training, Qualifications and Prior Business Experience

The findings relating to the educational qualifications of the case study participants indicated a good level of achievement overall. Ten of the thirteen respondents had third-level qualifications (Table 2).

Of the remaining three, the duo at K had vocational training, leaving only one (E) with no formal qualifications. Regarding prior business experience, here again results were positive (Table 2). Eleven of the thirteen respondents had considerable prior experience, while the remaining two (B and F) had converted a hobby into a business on retirement from teaching.

In sum, the results showed that the prior educational attainments and business experience of the participants provided a solid foundation for their current business endeavours. This was a positive finding, given the centrality of the owner-manager to any small business success (Kearney and Lavin, 2005).

Findings from RQ2: Financial Management Awareness and TLN Participation

RQ2: What is their level of financial awareness and have they participated in TLNs and what is their level of satisfaction with these?

Financial management awareness and participation in TLNs are shown in Table 3. In this table, *financial management awareness* was broken down into four levels. The first level comprised three respondents (A, J and L) who had either completed Masters in Business Administration (MBA) degrees and/or had prior experience in banking/finance jobs. At level two, one other respondent (C) had worked as a company secretary, where she was trained in preparing accounts using Sage accounting software. Then, it is important to note the third level, where four other respondents were self-taught or ‘muddled through’ as regards book-keeping for their own business. Finally, at level four, the remaining five had minimal or no accounting experience.

Turning to the Tourism and Learning Networks (TLNs), eight out of the thirteen respondents had attended these courses, as noted in the sixth column of Table 3. It is particularly important to note that these TLNs were unanimously positively rated by these eight participants.

Discussion of RQ2: Financial Management Awareness and TLNs

When the researcher drilled down into the detail of the qualifications and business experience of respondents, results were more mixed (Table 3). While four had relevant financial qualifications or job experience in this sector, of the remaining

TABLE 3: FINANCIAL MANAGEMENT AWARENESS AND TLNS

Case Site	Financial Management Awareness				Participation in TLN?	
	MBA Degrees or Banking/Finance/ Experience or Both	Prior Training in Preparation of Accounts	Bookeeping – Self-Taught	None	TLN – Yes	TLN – No
A	√				√	
B			√			√
C		√			√	
D				√		√
E				√		√
F			√		√	
G				√	√	
H				√	√	
I			√			√
J	√					√
***K**			√	√	√√	
L	√				√	
Total	3	1	4	5	8	5
Overall Total		13			13	

**Note 1:* There were two respondents at Tonnta (K), so there were thirteen interviewees in the twelve case sites.

nine, four were self-taught and could 'get by', while five had little or no accounting experience.

This indicated gaps in their internal resources (Blackburn and Jarvis, 2010) – such as less familiarity with the financial aspects of running their businesses – among the majority of respondents, thus identifying a need for improvement in this area. The satisfaction levels of the eight people who had participated in TLNs were very high.

Overall, these findings indicate the need for further training in the financial area in agreement with the literature already discussed (Blackburn and Jarvis, 2010; Hannon and Atherton, 1998). Also, the usefulness of the TLNs as a means of providing training for owner- managers was endorsed, in keeping with the literature (Deakins and Freel, 1998; Kelliher et al., 2009; Morrison and Teixeira, 2004).

Research Objective 2

RO2: To examine the information systems which are currently in use to run the business, together with approaches adopted by owner-managers in managing risk, and to identify any gaps in these compared to best practice.

Findings relevant to the derived research question RQ3 are now presented.

Findings from RQ3: Current Information Systems and Satisfaction Levels

RQ3: What is the nature of the information system(s) currently used in running the business, how are they used and what is their level of satisfaction with them?

Results showed that half of the case sites (six) used accounting packages, with the remainder relying on more basic accounting procedures. While all participants had a formal booking system in place, the information gathered varied from a basic manual booking system (B, E, F, I and L) to more sophisticated systems providing information on patterns of demand (H (small chain hotel), J (medium golf hotel), C and K). However, even the more advanced systems did not provide information on the *profitability* of the various activity products. The financial management systems, often based on invoices and cash records, were *limited in analytical content*. Overall, these findings indicate that there is considerable room for the development of basic management accounting systems and indeed up to the higher levels of business intelligence (BI) (Chartered Institute of Management Accountants, 2008).

Decision-Making, Use of Intuition and Satisfaction with Current Information Systems

Findings indicated a high reliance on the *use of intuition* in decision-making. This is not surprising, given the lack of day-to-day management accounting information. As respondent I quipped: 'it's all in the head … an awful lot is done by guesswork.' One savvy owner-manager (A) recognised the need to supplement intuition with some form of BI and designed her own 'client control form', which gave feed-forward information on her expected margins per client. This self-designed document was highly influential in her efforts to maintain margins. In fact, the researcher noted it was a 'service costing sheet' with profit per cycling client computed. At a general level, it can be said that the problems appear to be a lack of tailored real-time BI and the owner-manager being unable to take time out of the business to see what was needed or to self-design reports. As respondent A tellingly stated:

> BI is so key, it frees up my time … a lot of money goes on administration, when a bespoke solution should be available …. We, as owner-managers, have to do the hard slog ourselves.

Lack of Time: Financial Management and Decision-Making

Respondent K reported that 'the time to do accounts is not there … we have to give time to be hands-on in the business.' Likewise, respondent L complained about the lack of time for management: 'the biggest problem we have is time – spending too much on the day-to-day things and not enough on the management side.' These findings show an over-reliance on the use of intuition in decision-making, a general shortage of time and a lack of analytics. This deficit is an opportunity for the external accountant to step in and fill this gap.

Cost Control Issues

Cost control was high on the agenda of all the respondents. The main emphasis was on staff costs and participants had devised creative ways to minimise these, including multitasking, the use of family labour and flexing the costs of employed staff to turnover.

Cost control was not confined to labour cost issues. For instance, three respondents (E, F and G) discontinued offering evening meals because of the high associated material and cooking costs and consequential lack of margin. Some of these respondents were aware of the Fáilte Ireland toolkit on food costing and felt very positive towards it. Control of energy costs was seen as important by respondent D.

In conclusion, it can be said that there was a good appreciation of the need to control costs. However, this lever is not sufficient on its own to generate sustainability of profits or to re-invent the business.

Management of Risk and Sustainability Issues

This section is presented in two parts: current risks within the business and future risk issues such as business development, the life cycle and exit strategies.

<u>Management of Current Risk within the Business and Sustainability</u>

Findings indicated that some owner-managers had a fortuitous aspect such as inheriting a debt-free business (E and F) or a good location (B, E and C). Irrespective of the original complexion of the business, diversification of risk, by grafting additional revenue streams onto the core business model and planning the future development of the business, is the main action available to ensure sustainability.

Some respondents had income streams from rented properties (E) or other part-time jobs (L) or had lowered their risk through diversifying their revenue streams within the core of the original business (A, C, D and K). Sometimes this diversification enabled a short season from a guesthouse in a remote location (E) to be supplemented by a longer season from the coffee shop, the meeting room and the farm, so the cross-subsidisation was seasonal as well as monetary. Core summer surfing activity at K was supplemented with a winter marine education facility. However, as these additional businesses grew from the core, the need for business intelligence became even more apparent.

<u>Business Development, Life Cycle Issues, Exit Strategy and Sustainability</u>

There was evidence of proactive planning for the future development of some of the businesses. For example, three activity centres (B, D and K) saw opportunities to link up with local hotels in order to create reciprocal demand for both activities and accommodation, creating a win–win situation for both businesses. At present, it seems to be done on an ad hoc basis. Other innovations included developing a manufacturing base for spa products in Ireland and availing of solar and wind power to reduce energy costs (D).

Life cycle issues and exit strategies were recognised as part of the sustainability problem. Some owner-managers, concerned that their businesses were not sustainable in their current form, were planning to sell on or adapt their property to other uses. Others in well-performing businesses were developing add-on businesses to the core. For example, respondent H had used his own horses on his own farm to offer beach riding to his hotel guests. This stream could become an exit route for himself and his family, should his hotel business fail. Another (B) mentioned the vulnerability that would be exposed, should illness or an accident strike her, as she felt she was 'mother and father to the business' and that her own skills were irreplaceable.

In conclusion, the sustainability of the case sites was, to some extent, a question of the savviness of the owner-manager in managing risks, both financial and operational. Risk originated in the founding circumstances of the business and as the owner traded and set up a business model, there was a process of further engagement with risk and of changing the business model to diversify against risk. Future business development and an exit strategy because of illness, retirement or the failure of the business need proactive planning.

Discussion of RQ3: Current Information Systems and Satisfaction Levels

The findings strongly suggest a need for 'hard' information in the back office, to help the decision-making process, as recommended by various contributors to the literature, including Cronin (2009), Davenport (2006), Moores (2003) and Simons (2009). A lack of time for decision-making due to the owner-manager's heavy involvement in the day-to-day running of the business was evident in the cases, again supporting Harris and Brander-Brown (1998). The neglect of planning was also obvious from the findings (McElwee and Warren, 2000). Information sources were sometimes basic, as noted by Collis and Jarvis (2002).

Overall, the findings showed that many of the respondents hedged themselves against risky over-reliance on one business, by building additional revenue streams onto their core business. A concern might be that, as the owner-managers nurture these additional 'green shoots', the need for real-time, higher order information systems (such as BI) may be overlooked and managers may lack time to 'mind' the enlarged businesses effectively (Woods and Dowd, 2008).

Given that tourism is a service business, the manager is both a front-office and a back-office operator. There is a tension here, until the back-office BI can be transfused into the business. This conflict between the dual roles of the owner-manager was very evident in most of the case sites examined.

In most cases, there was little evidence of real-time analytics to help the owner-manager monitor the value drivers to ensure sustainability of their businesses. The use of manual systems was somewhat prevalent and the future buoyancy of the firms could be attributed to the business savvy and intuition of the owner-managers in managing risk and, of course, sheer luck.

Research Objective 3

RO3: To examine the degree of interaction with external accountants and the satisfaction levels of owner-managers with this support.

Findings for the derived research question RQ4 now follow.

Findings from RQ4: Interaction with External Accountants and Satisfaction Levels

RQ4: What is the nature of their engagement with the external accountant and how satisfied are they with this support?

An analysis of the responses to this query indicated that, for most respondents, the role of their external accountant was confined largely to compliance tasks. Some sample comments endorsed this finding:

> They just put the end-of-year accounts together. (D)
> They just do the figures, but don't help with business advice. (E)
> Tax returns and audit …. Doesn't really inquire into the business. (G)

F and G specifically highlighted the fact that their external accountants had no specific experience in the sector. Respondent F commented that her external accountant 'was not a specialist in bed and breakfasts', while G said that his accountant 'had no background in hotels'. On a more positive note, respondent C said that her accountant 'talks to them about costs', while I reported that his accountant 'was good at making sure we practice rigid procedures'.

Findings from the study cohort strongly indicated that the input from their external accountant was largely confined to the preparation of year-end accounts and related tax compliance matters. This service was seen as unsatisfactory by the majority of the case sites, for example, 'they just do the figures but don't help with business advice' (E).

Discussion of RQ4: Interaction with External Accountants and Satisfaction Levels

Overall, these findings suggest that the businesses studied do not receive much assistance from the external accountant beyond compliance work, leaving room for further engagement with these accountants. For example, many of the case sites needed more management accounting services to run the business (Marriott and Marriott, 2000), building up to the BI 'stack' (Simons, 2009). The limitations of financial management expertise in the study cohort, as noted earlier, and the constraints on the time of owner-managers mean it is unlikely that they can self-develop better systems. This clearly indicates a need for a better service from the external accountant than simply accounts and tax preparation work.

This research records a lack of confidence from the respondents in the ability of their external accountants to offer non-compliance services, as noted already by Doran (2006). This study reveals further reasons for this problem, in that it would appear to be due to the external accountant being a generalist and not having a specific understanding of the varieties of businesses and operating models in the tourism sector (in line with Blackburn and Jarvis, 2010).

Another aspect that emerged was support for a recommendation already noted in the literature section of this paper for accountants to intervene by helping the entrepreneur to learn (Deakins et al., 2001). To be able to engage productively, the external accountant needs to make time to unpack his/her client's thinking through discussion (Martin, 2005). Then, rather than being confined to the existing role of compliance work, s/he will be able to develop a new role of 'working with the businesses' – mentoring and coaching the client (Blackburn and Jarvis, 2010, p. 26).

To remedy this situation, it is suggested that perhaps if the external accountant could get involved with the TLNs in their local area, the necessary trust and social rapport would be built up, so then the owner-manager would want to buy value-added services from his/her trusted adviser. The accountant would then continue doing accounts, tax and audit, but also mentor these businesses, advising them on the necessary planning, control and decision-making reports (i.e. tailored business intelligence systems with dashboard metrics suitable to diving, equestrian, bed and breakfast, surfing activities, etc.), which could free up the owner-manager's time to think. This would avoid an imposed solution, as the accountant would work with the business and unpack his/her client's thinking. The TLNs could also be used to train the manager to operate these systems confidently, thus helping the manager to expand his/her financial management capability.

FURTHER RESEARCH

The important area of financial capability comprising three levels of competency – business planning, management reporting and employment of financially trained staff – has been explored in this study of micro businesses. Apart from case site H, The Oaks, which was a chain of indigenous hotels, none of the case sites employed their own in-house finance staff and few had formal continuous planning or management reporting systems (including management accounts); rather they relied on cash, booking systems and invoices. Therefore, it would be useful to explore using longitudinal case studies whether, as these businesses expand and grow, there is a change towards greater formalisation of these levels of financial capability, as the owner-manager realises s/he cannot control everything. A positive association between financial capability and improved financial performance could be tested statistically across, for example, small hotels of the same grade in a particular region. Also, a change in economic conditions from boom to recession could be mapped, as previous research (Association of Chartered Certified Accountants, 2012) tends to indicate a certain complacency in boom times regarding the building of a solid finance function. Does recession force a change in attitude? The impact of e-commerce business on the likely formalisation of financial capability would be another interesting area of research.

Other important research questions would be to explore the training, qualifications and previous business experience of start-up entrepreneurs and see if there are particular profiles of start-up entrepreneurs that seem to develop formalised financial capability. Does failure of some of these start-ups correlate to late development or inadequate levels of financial capability? Finally, the attitude of local regional accountants towards their own participation in the TLNs could be surveyed, given that their owner-manager clients seem particularly satisfied with the learning they experience within these networks.

Thus, the findings have been discussed and areas for further research have been highlighted. So, the paper now proceeds to conclude.

CONCLUSIONS

The main challenges facing the sector and issues of owner-manager competencies were distilled from the literature. Then, research objectives were derived from the study context and literature review and associated research questions articulated. The methodology of the study, including the choice of the case study method and the execution of the fieldwork, were described. The study was limited by restricted interview time being granted at each case site. This meant that the research was exploratory in nature rather than allowing for the execution of a complete case study methodology, drilling into explanations, etc.

Findings from the exploratory interviews at the twelve case sites showed that the participating owner-managers were well-educated at a general level. However, while most respondents had prior business experience elsewhere, they were new to the task of actually setting up and running their own business. Nine out of thirteen respondents had either limited or minimal financial management awareness, in agreement with the literature and KI commentary. Many were savvy individuals who were multi-tasking. Having little time to think through decisions or manage the business, they used intuition in their decision-making and managed risk through diversifying their revenue streams and pro-actively planning an exit strategy.

The findings show a distinct lack of satisfaction with their current information systems, which were often based on invoices and cash records, lacking analysis of profitability and predictive information. A lack of planning and a lack of time to think, due to the manager being immersed in the day-to-day running of the business, playing both a front-office and a back-office role, was also evident.

The mainly compliance service already provided by the external accountants was deemed insufficient. Many respondents would like business advice and perhaps high-level business intelligence which would provide profitability analysis and planning information to focus the business model for the owner-manager. As the businesses enlarge, this need for higher levels of real-time BI becomes more pressing.

With the upskilling of the owner-manager's capabilities achieved through mentoring in the TLN by the external accountant, in addition to insights from the back-office BI system transfusing into the front office, these businesses would move to 'managing a result' and become sustainable outcome-based companies. In this way, they could retain their 'personality' and lifestyle, while also operating with an agile business model. Further research in this important area is suggested.

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NOTES

1 http://www.wttc.org/focus/research-for-action/economic-impact-analysis/country-reports/. This primarily reflects the economic activity generated by industries such as hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). But it also includes, for example, the activities of the restaurant and leisure industries directly supported by tourists.

2 Fáilte Ireland was formed in May 2003 under the National Tourism Development Authority Act as Ireland's national tourism development authority, responsible for supporting Ireland's tourism industry and sustaining Ireland as a high-quality and competitive tourism destination. As part of this, Bórd Fáilte Éireann merged with the Council for Education, Recruitment and Training (CERT) in order to increase the focus on achieving a cohesive tourism strategy for Ireland to ensure a strong and sustainable tourism industry. See http://www.failteireland.ie/Utility/What-We-Do/Our-History.aspx.

3 See http://www.cimaglobal.com/About-us/Press-office/Press-releases/2008/October/Out-of-difficult-times-comes-real-opportunity-CIMA-Ireland-Conference-told/.

4 For details of Professor Garelli's work see http://www.imd.org/about/facultystaff/garelli.cfm/.

5 http://www.failteireland.ie/News-Features/News-Library/Free-Online-Business-Tools-for-Tourism-Businesses.aspx.

6 http://www.optimus.ie/opt/index.php.

7 http://www.failteireland.ie/News-Features/News-Library/Failte-Ireland-Business-Supports-for-B-Bs.aspx.

APPENDIX I: KEY INFORMANTS

- **KI/1**: A representative of the Restaurants Association of Ireland
- **KI/2**: A qualified accountant consulting to hotels
- **KI/3**: A representative of the Irish Hotels Federation
- **KI/4:** An economist who is employed by Fáilte Ireland
- **KI/5**: An accountant working as a manager of Online Business Supports with Fáilte Ireland
- **KI/6**: A consultant from a leading accountancy firm with hotel consultancy
- **KI/7**: A hotel accountant on secondment in a hotel as a consultant from a large hotel accountancy/consulting firm
- **KI/8**: A training manager in Fáilte Ireland who set up the Optimus programme

APPENDIX II: SAMPLE INTERVIEW GUIDE (ACTIVITY BUSINESS)

- Tell me about the history of your business: training and experience. What was the reason to set up the business? Have you worked in other jobs before? Have you run your own business before?
- Can you talk about your training and qualifications and what skills you feel you lack?
- Key success factors: can you explain them?
- Planning: do you have a strategic plan? Do you budget? How do they cope with recession?
- Do you run the business on a cash basis?
- What are the key reports you use to run your business?
- What costing information do you have?
- Where does profit come from? Do you analyse profitability from different segments? Is there a sustainable level of profit?
- Do you have any borrowings? Any grants?
- Do you have any accommodation offered with your activity?
- Do you sell products or have a retail element as well as giving lessons in the activity?
- What were the initial conditions of the business? Would there be any fortuitous aspects to these conditions, in your opinion?
- Staff costs: how are these controlled? Any issues with sourcing of staff?
- Tourists: what percentage are repeat customers? What patterns are appearing?
- Have you accessed the home market – parents and children – and what other markets have you accessed and how? How do you create business over the winter months?

- Costs: are you aware of the percentage of fixed and variable costs in the total cost structure? How does that knowledge affect the way you run your business?
- Revenue sources: what are they? Have you diversified your revenue streams? How do you manage demand?
- Do you have competition from other activity businesses?
- Pricing of lessons and hire of equipment.
- Marketing: how do customers find out about you? Do you market yourself? How do you know your target markets? Do you try to link with local hotels to generate mutual demand?
- Support from Fáilte Ireland Business Supports: have you participated in the Tourism and Learning Networks? How do you rate the TLNs?
- Are you familiar with the Business Tools website, with BizCheck and with WebCheck? Do you use them?
- What reports/information do you use to run the business? What other information do you need to cast more light on the drivers of profitability within the business? How do you use IT? Are you satisfied with the information systems you have to run the business on a day-to-day basis? What improvements are required?
- Do you know what it costs to serve different groups – is hire of equipment more profitable than other revenue streams? Do you know the unit cost of the instructor's time and how to make the best use of his/her time?
- Have you any issues with exiting the business/succession planning?
- How do you identify risk in your business? How do you manage risk?
- How do you hope to make the business sustainable in the long term?
- What about the support from the external accountant (if any)? Do they help with providing business intelligence, or do they just prepare the accounts and do the tax? Are you satisfied with this support?

END OF GUIDE

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