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## Journal of Applied Management Research Ideas

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**Aims and Scope:** The Journal of Applied Management Research Ideas presents research proposals of original empirical research of new insights and ideas into practical issues within the areas of business. The objective of the journal is to present research proposals that stimulates researchers and businesses to identify insights and solutions.

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# Evaluation of Software System Implementation in an SME

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## Abstract

Research on software systems implemented into SMEs is sparse due to there not being enough infrastructure around the correct procedures. To change this lack of information, the researcher proposes to conduct a case study on a small business. Using a mixture of interviews and participant observation, the researcher intends to ascertain whether the most effective implementation methodology was used to implement Xero and WFM into the small business. To clarify further, investigation into why it was done this particular way and the ramifications of that choice, will be conducted. The results from the interviews will be analysed in correlation with planning and preparation, implementation and integration of the new system, training, customer expectations and change management. By undertaking this research, clarity will arise regarding the implementation of how Xero and WFM could be improved, whether in the planning and preparation stage, or the implementation stage itself. More successful ways of training SME staff to use the software are expected to emerge as well as understanding the customers' expectations and delivering to those expectations, and the SME staff being prepared for the change of software by the SME.

*Keywords: Implementation, Xero, SME*

*JEL Classifications: M41*

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## 1. Organisational Context

### 1.1. *Internal Analysis*

The research intends to study a small business enterprise (“SME”) in the service industry. The staff comprises of office staff and field staff, 14 in total.

### 1.2. *Situational Analysis*

Until late 2016, the SME used the accounting software QuickBooks, and Excel spreadsheets for quotes, job management and timesheets. The SME acknowledged that this was a cumbersome, inefficient way to run their business, and explored different software to enhance their work processes. QuickBooks had some capability to cope with job management, but the ability to handle job information was limited. The intention was to move to something that provided better job capability, and for data input by technicians. Integrating with an accounting system was also desired, allowing the external accountant to access the accounts remotely.

Deciding on a new software system is a significant investment, and there are necessary steps to be taken before a) the appropriate software is chosen and b) it is implemented into the business (Burroughs, A, 2014). Most system implementations fail because sufficient due diligence is not undertaken in the planning stage. For example, the business does not analyse the day-to-day activities of its staff, and/or the packaged software vendor fails to show how the software will meet the requirements as part of the planning stage. If these actions are not done, the system can be perceived as not working properly; reporting will be affected and management may ‘run blind’ while things are fixed; management may think that the packaged software vendor has not delivered as promised and employees may work around the system because it isn’t doing what they need it to do (Burroughs, A, 2014).

In March of this year, Xero and WorkFlowMax, accounting and job management software respectively, were implemented into the SME. Xero is cloud-based accounting software designed specifically for small businesses. Xero is the forerunner of the cloud accounting market, and

is renowned for having anywhere, anytime access on any device. Xero boasts 500+ add-on applications to tailor Xero to your own business (xero.com, 2017). WorkFlowMax (“WFM”) is one such add-on application. It provides a single platform for all job, time, and invoice management. With the integration with Xero, invoicing gets pushed through from WFM to Xero automatically, which clears any double ups and saves time, and money (xero.com, 2017).

The new software ran concurrently with the existing accounting software, QuickBooks, until the end of April, to allow time to fix any immediate bugs. QuickBooks was still available, but only for historical reference. The reason for this research proposal is because of comments made by both the SME and the packaged software vendor that the implementation of WFM and Xero into the SME was not done as well as it could have been. The packaged software vendor stated that “they [the SME] got a raw deal”.

Expectations were not met in terms of what the SME thought they would receive and what was received. Training was almost non-existent, observed by the researcher of key staff members, and experienced by the researcher. The change management was insignificant and staff ill-prepared.

The key-user who had the most input into gaining the new software has gone above and beyond to understand the software and create documentation in Word to train the remaining staff. Although this can be commended, the key-user is not a natural teacher and has a somewhat different approach to understanding processes. Hence, the documentation is not very helpful to the staff. Consequently, the staff have taught themselves how to use the software through trial and error. This has wasted time and caused substantial frustration to all involved.

Training and follow-up from the packaged software vendor has been difficult to receive. As a small business themselves, they have grown significantly over a short period, and have been overwhelmed with work. The consequence of this is a lack of availability to the SME to answer questions, fix bugs, and advise on customisation of the software. Five months down the track there are still a myriad of features that staff are not aware of or have been using incorrectly. Through the researcher’s own quest to become a WFM Advisor,

watching video tutorials has shown the extent of the software and what the SME could do with it. The researcher questions whether these features were demonstrated to the SME either in the planning/matching stage or the beginning of the implementation stage.

## 2. Literature Review

### 2.1. *Evaluation of Implementation*

Research has found that there are five critical success factors (CSF) to the implementation of software in businesses, these factors are: top management commitment and support, change management, business process re-engineering (BPR) and software configuration, training job redesign and project team: the best and the brightest (Schuler, 2010, Varadaraj & Goud, 2012; Kouzmanov et al. 2015; Janson & Subramanian, 1996).

“It is not just the technology that is being implemented, but processes are re-engineered and people are re-organised to perform better in the organisation” (Varadaraj & Goud, 2012). Impediments to successful implementation include ineffective communication with users, insufficiently trained end-users and failure to get user support (Schuler, 2010).

Schuler (2010) points out that end-users tend to be thrown in the deep end and have to learn by trial and error, often without any training documentation. Big organisations can cater for better training purely because they have more money to make it cost-effective. SMEs do not have this luxury, and often are not even aware of what they should be training their end-users on, due to their lack of experience with implementing software systems (Schuler, 2010).

There are different options to train end-users, one possibility being that the software vendor trains them. This training tends to be generic and based on standard training modules (Schuler, 2010). This is not good for customising for a specific business. The downside of a lack of tailoring means organisation-specific knowledge is lost and this compromises the training effectiveness (Schuler, 2010). To counteract this loss, end-user documentation and more tailored documentation

would help learning ability and usability (Schuler, 2010; Jansen & Subramanian, 1996).

Another training option is key-users training end-users. “They know the specific job processes and functions and know which skills will fit each role” (Schuler, 2010). However, aside from the lack of teaching experience, the key-user has little time to plan, prepare and perform end-user training. The system is not set up for training, customisation has not been completed and the bugs have not all been fixed (Schuler, 2010; Jansen & Subramanian, 1996).

### 2.2. *Systems Development Life Cycle (SDLC)*

A Systems Development Life Cycle (“SDLC”) is a framework that is used in software development projects. Romney and Steinbart (2012) state that there are five phases in the SDLC, namely, systems analysis, conceptual design, physical design, implementation and conversion, and operations and maintenance. Briefly, during systems analysis information is gathered to identify user needs in a software system. The conceptual design phase decides how to meet user needs. This is a detailed phase that outlines what the system is to accomplish and how it will be controlled.

The physical design phase puts the design requirements from the conceptual design phase into detailed specifications that are used to code and test computer programs. The implementation and conversion phase brings all the elements of the system together. The operations and maintenance phase is where the system is periodically reviewed, and where any problems are fixed as they arise until they become too many and the SDLC begins again (Romney & Steinbart, 2012).

Based on this cycle, when implementing a software system into a business, small, medium or large, most software vendors have a common global framework that they work within (Varadaraj & Goud, 2012). The word to describe this practice is methodology. The word methodology is defined in the BusinessDictionary.com as

“A system of broad principles or rules from which specific methods or procedures may be derived to interpret or solve different problems within the scope of a particular discipline. Unlike an

algorithm, a methodology is not a formula but a set of practices.”

Packaged software vendors have created their own methodology for implementation of software. Many use the PMBOK – Project Management Body of Knowledge – a framework used by the Project Management Institute (Varadaraj & Goud, 2012). This knowledge is constantly evolving as technology does. Adopting an implementation methodology ensures consistency with the product. Having a clear framework gives visibility to all parties involved. It also helps to control costs and helps to guarantee commitments to time and quality (Varadaraj & Goud, 2012 & Romney & Steinbart, 2012).

However, Lederer & Sethi (1988) state that even with a sound methodology giving satisfactory planning and implementation, the project rarely runs as planned. This is due to a lack of support from top management and lack of controls in place to ensure the plans are followed by the SME

### 2.3. *Xero and WFM in Small Businesses*

The introduction of cloud-based software has revolutionised the accounting world, producing results that are more timely and less compliance-oriented than older systems (Tankersley, 2014). Cloud-based software works in real time, from live bank feeds, making business decisions more effective and relevant (Computer Weekly News, 2012). A study carried out in 2014 by Xero found that small businesses who used Xero were getting paid 30 days faster than they were in 2011. The resulting increase in cash flow and productivity has been significant (Computer Weekly News, 2012).

Xero’s success can partly be attributed to its rapid innovation cycles, which provide free features and enhancements to their existing software. Xero is committed to making life as simple as possible for small businesses and entrepreneurs (Computer Weekly News, 2012 & Tankersley, 2014).

WFM is a 2012 add-on to Xero. The practice management software expands the scope of Xero’s accounting services. Accountants can now handle everything from leads and quotes, to jobs, invoicing,

and time tracking (Computer Weekly News, 2012 & Tankersley, 2014).

“With the addition of WorkFlowMax to Xero’s offering, I now use one online solution to service clients and manage my entire practice. This has freed up a significant amount of time, improved my efficiency and allowed me to take on more clients, doubling my business” (Computer Weekly News, 2012).

### 2.4. *SMEs and Software adoption and Implementation*

Historically, SMEs have shied away from complex software systems, for reasons including cost, vendor supply policies and nervousness about software consultants (Ford & Brown, 2010). This is in spite of the huge potential for business growth and competitive advantage. Of those SMEs that do attempt to implement a software system, many fail because they lack basic conditions to achieve success (Jansen & Subramanian, 1996; Schuler, 2010).

Schuler (2010) found that there were basic conditions of SMEs that impeded successful implementation of software. Namely, small budgets, lack of experience with implementing IT systems, lack of experience with project management, lack of top management support, key-users are not released from everyday work, project manager of the customer is weak, lack of manpower, no IT-department and/or HR-department and project management only through implementation partner. As a result, there is very little literature available for implementing systems in SMEs (Schuler, 2010; Ford & Brown, 2010).

Research that was conducted, as case studies on SMEs, discovered that the small businesses who had successful implementations of software, ranked their practical business achievements as higher than the project being completed to a particular timeframe or budget (Ford & Brown, 2010). Other success points were the importance of the relevant parties, including the software vendor having the necessary skills for a smooth implementation. Clear communication and openness was also cited as a critical factor in success (Ford & Brown, 2010; Schuler, 2010; Varadaraj & Goud, 2012; Kouzmanov et al. 2015).

## 2.5. *Change Management*

Resistance is inevitable. A person's views on change usually depend on how the change affects them, whether it is good or bad. If the change increases profits, management will be happy. Whereas, the same change may negatively affect or terminate an employee's job, and they will view this as bad. In order to minimise adverse behaviour, an understanding of why resistance takes place is needed (Romney & Steinbart, 2012, Kouzmanov & Tsaneva, 2015).

Change management is the term given to the understanding of resistance to change, and is unfortunately not given the consideration it deserves, especially when it is deemed one of the key success factors of the implementation of software systems (Ford & Brown, 2010; Schuler, 2010). Generally, only big projects for companies that have HR and IT departments see the significance of the attitude and perceptions of the end-users, and have change management procedures in place. From the small amount of literature available on implementing systems into SMEs, there is neither awareness nor a budget to support change management (Schuler, 2010).

In order to minimise adverse behaviour and ensure software implementation success, end-users should be made a part of decision making, and told which suggestions are being used and which are not, and why. Training is often underestimated, but is an integral part of software success. End-user expectations should be realistic; there is no point overselling the system if it is not going to deliver (Varadaraj & Goud, 2012; Schuler, 2010; Romney & Steinbart, 2012).

## 2.6. *Aim and Scope*

The overall research question that has evolved from the SME's situation is to ascertain whether the most effective implementation methodology was used to implement Xero and WFM into the small business. To clarify further, investigation into why it was done this way and the ramifications of that choice, will be conducted.

The research will be valuable to both SMEs and packaged software vendors, to evaluate how new software is implemented into a small business. Focus will be on whether a structured Systems Development Life Cycle (SDLC) is used or not, and the impact of the choice. Customer involvement, end-

user training and change management will also be investigated. The research will highlight problems, what can be done differently for future implementations of this organisation, and recommendations for use in other organisations.

The objective behind the research is to make an evaluation of the implementation of information software in a small business. The research will be tailored to small business structure and operation and will focus on what implementation methodology was used, the choice of appropriate software and the coverage of change management. Within change management, the training aspect will be investigated specifically. The research will not cover any other phase of the SDLC except where it is relevant to the Implementation and Conversion phase.

## 3. Method

### 3.1. *Subjects*

Investigation of the research question will be by conducting an in-depth case study on the local SME. Research will be conducted primarily through interviews with three people from the business who use the software extensively. A fourth person will be interviewed from the packaged software vendor. Interviews have been chosen because the data collected will be qualitative in nature, not quantitative. Qualitative research gives more than a cross-section of events, as it is being collected in a natural 'real-life' setting. It shows the hows and whys of things happening, and incorporates people's feelings, motivations, interpersonal cooperation, and conflict (Gray, 2014). In addition, the interview questions asked of the small business employees will vary from those asked of the packaged software vendor.

The researcher will also engage in ethnographic participant observation of the employees who use the software. The researcher will participate to the extent of full immersion, experiencing the implementation of Xero and WFM. The researcher will, to the best of their ability, perform the fieldwork as ethically and acceptably as possible, while still gaining the pertinent information for the research (Gray, 2014).

The information gained from these two methods of investigation will provide information about the implementation stage of the information

system, how it was conducted and whether expectations were met. The information will also include details on end-user training and change management. Recording of the interviews will be done by voice recording on the researcher's smart phone. The interviews will then be typed up verbatim on the researcher's laptop in Microsoft Word. The results will be analysed qualitatively, and evaluated to pinpoint deficiencies in planning and preparation, implementation and integration of the new system, training, expectations, and change management.

### 3.2. *Materials*

Observation of the subjects will require the use of a pen and a notebook to take field notes. The researcher aims to observe discussion between the subjects using the new software, use of the software by the subjects and anything else that is useful to gaining a more thorough understanding of the implementation process that was used at this SME.

The researcher has developed two sets of interview questions for the specified subjects using Microsoft Word on their laptop, one set for the employees of the SME and the other set for the packaged software vendor. Printed samples of each set of questions are attached as Appendix A and Appendix B. The questions have been developed to answer the research question. The SME employee questions cover the following:

The first two questions are general, to put the participant at ease during the interview. Question one asks the participant their name and their role within the business. This is to establish the angle that their answers may come from.

Question two asks the participant how long they have worked at the SME. This is to add weight to their answers, to determine how familiar they are with their role and their use of accounting information software systems throughout their career.

From question three the questions become more tailored to the research question. Question three asks the participant why the SME changed from QuickBooks to Xero and WFM. This is to discover what the SME's information needs are, why the old system was no longer meeting them and why Xero and WFM were chosen to replace QuickBooks.

Question four asks how the implementation stage went. This is to gain understanding of the

employee's perspective of the implementation process and how they felt about it.

Question five asks the participant if the software is running as they were advised it would. This is to ascertain what information they were given by the packaged software vendor in terms of the software and what to expect with it.

Question six asks what the participant's level of involvement was in the Planning phase of the SDLC. Information gained from this question will cover the implementation methodology used and how both the packaged software vendor and the SME's processes incorporate change management into new software implementation.

Question seven asks the participant if there has been any training, and what form it took. The information given will show the scope of training, how it was done and if the participant found it useful.

Question eight asks the participant how they have dealt with the transition from QuickBooks to Xero and WFM. A follow-on question will be whether they think they were given adequate preparation for it. The information gained from this question will give some indication as to how they deal with change, and what procedures the SME and the packaged software vendor has in place for change management.

Question nine asks the participant if the new system has changed their job-specific behaviour. Information from this question will give insight into whether the software system has changed what they do in their job role, whether it has improved it or has made it more laborious. This is a key indicator of the direct changes to each participant.

Question ten asks the participant what has changed as a result of the new system implementation. This question is seeking a broader answer than Question nine asks. It is not specifically job role-related, it can be about anything in the business that has been affected by the new system implementation.

Question eleven asks the participant what improvements they would suggest for future implementations of software systems into their SME. This question is looking for honest opinions from the participant as to what could have been done better and suggestions for future system implementations.

The questions to be asked of the packaged software vendor are as follows:

The first two questions are general, to put the participant at ease during the interview. Question one asks the participant their name and their role within their packaged software business. This is to establish the angle that their answers may come from.

Question two asks the participant how long they have been in the business of packaged software selling. This is to add weight to their answers, to determine how familiar they are with their role and their depth of knowledge of software systems.

Question three asks the participant what process they used to establish what the SME required in a new information system when the SME engaged their services. A follow-on question to this asks if their methodology was related to the known Systems Development Life Cycle. The information from this question is to establish the process used in choosing the appropriate software for the SME.

Question four asks the participant if the process used was as thorough as it could have been. A follow-on question from that asks if all the phases of the SDLC were followed or if some were missed. Following on, another question will ask that, if some phases were missed, was it a deliberate or accidental decision. The information gained from these questions will give insight into the thoroughness of the packaged software vendor in their process of providing the correct packaged software to their clients. Information should demonstrate the packaged software vendor's integrity of business.

Question five asks the participant why WFM would not suit the SME. Information gained from this question is to establish how well they know the abilities of WFM and how much they know about the SME and its information needs.

Question six asks the participant why WFM was considered a match with the SME whose jobs are primarily a couple of hours to a day's work, with only some jobs lasting longer than a few weeks or months. Information from this question is to establish why the packaged software vendor matched WFM to the SME. This question is critical in nature, and this will be conveyed to the participant prior to asking it.

Question seven asks the participant if they dealt with one or more people from the SME throughout the SDLC. Follow-on questions ask how

the participant felt this went and why that choice was made. Information gained from this question will help to ascertain how many people were involved in the new software system changes and whose input was sought. The follow-on questions cover the participant's opinion on how that path went and why that decision was made.

Question eight asks the participant if they had a custom training implementation structure for this SME. Information from this question will give insight into whether the packaged software vendor has a training structure in place for its product.

Question nine asks the participant if all staff were given the training they needed. Information from this question will allow the participant to give their opinion on the level of training for the employees of the SME.

Question ten asks the participant if they were under any pressure to deliver a system quickly. A follow-on question is that if there was pressure, how they dealt with that. The information gained from this question will put the entire process into a realistic context, showing up variables that may or may not have been controllable.

Question eleven asks the participant if they think the software is running as they advised the SME it would. The information gained from this question is to glean how much follow up the packaged software vendor has done since the implementation of the software system.

Question twelve asks the participant if they feel the implementation of the new system could have been accomplished more favourably. The information gained from this question will show if the packaged software vendor has thought about what went wrong and what could be improved in the future.

### 3.3. *Procedure*

An Interview Information and Consent Form, attached as "Appendix B", will be given to each of the interview participants inviting them to participate in the research project. The interviews will be conducted at the business premises in an office with a door. In the case of the packaged software vendor, the interview will be conducted at their offices or such place as is agreed between the researcher and the interviewee. The completed form is to be given

back to the researcher prior to the participant's interview.

The author envisages that each interview will take approximately 30 minutes. The interview will be recorded via the interviewer's mobile phone recording app. After each interview, the researcher will type up the transcript verbatim. Once all the interviews have been conducted and typed up, the data will be analysed.

The researcher intends that future researchers will use the method of this research to ascertain similar results. This will enhance the reputation of the research to generalise the results. Packaged software vendors can then improve their implementation processes. SMEs will then be aware of what they should be receiving in terms of services when obtaining new software systems, and what they themselves must do to get the most out of the implementation process.

### 3.4. *Limitations and Ethical Issues*

The researcher will make clear that the information provided will remain confidential to the researchers and not be seen by anyone else, including the SME management. These decisions have been made to protect the anonymity of the participants in the interviews and observations to be conducted in the research. These decisions have also been made to protect the integrity of all parties involved.

The researcher will make sure that the protections are clearly communicated to the participants prior to any research taking place. The researcher will also offer the participants the transcript to go over and correct anything that they think is of concern.

The researcher has acknowledged whether they could gain the required information via questionnaires rather than interviews. The disadvantage with using questionnaires is that responses do not have the depth that the researcher requires to conduct the research thoroughly, nor is there an opportunity to debrief the participant as a required ethical principle and the requirement to place the respondent in the same state as that prior to participation.

Therefore, interviews will be conducted and the researcher will give the questions to the

participants before their interviews so that there are no surprises. If a participant does not want to answer a particular question or questions, they are within their rights to decline. At the conclusion of the interview, interviewees will be debriefed and participants reminded of the terms of participation for the opportunity of the participant to withdraw completely or partly from participation.

The small sample size has the potential to bias the sample, which minimises the internal validity of identifying accurate results and framework that should be applied in this research. Hence, the ability to generalise this research to other organisations is also limited. Identifying a framework relies on the responses of the small sample. This requires the participants to be able to identify the issues and matching of systems to business. There may not be enough knowledge amongst the small sample to draw an accurate conclusion.

Ethics in research means the moral principles guiding research, that is, the way in which the researcher conducts their research (Gray, 2014). Deontologically, ethics should never be compromised, as the ends never justify the means. Researching ethically protects the rights of the research participants, namely, their right to privacy, respect, or self-determination (Gray, 2014). Researching using a qualitative approach, in particular, ethnography, would be best viewed as a fluid process that requires constant monitoring of informed consent as the research questions are rarely confirmed and are subject to changes as new lines of enquiry open throughout the research process (Gray, 2014).

A Human Ethics application form will be completed. This application includes a brief narrative of what the proposed research is about, the method in which the research will be carried out, a background of the business to be studied and the value of the research. Attached to this application is a copy of the interview questions and the Interview Information and consent form that will be given to the participants prior to commencement of any research. No data collection can commence until the application has been approved.

By gaining informed consent the research can achieve positive weight as the participants feel more confident and are more likely to be more open and frank with their responses (Gray, 2014). Ethical information will be communicated to the participants

of the interviews in the Interview Information and consent form. Participants will be advised that unless explicitly informed, or unless they give their consent, all personal details that are collected will remain confidential to the researchers at all times. Anonymity and privacy are guaranteed, except where participants' consent to waive has been granted. Reference to all participants in the final report will be identified by a code.

### 3.5. Proposed Method of Analysis

The data from the three interviews will be a mixture of verbal, observation and describing events. Therefore, qualitative data analysis will be used on the data gathered. Key words and sentences will be found within the text and coded under categories. Notes will be made about emerging patterns, associated ideas, and themes.

The research question seeks to ascertain whether the most effective implementation methodology was used to implement Xero and WFM into the small business. The interview questions have been developed to gather information that will uncover information needs, how the software system was implemented, if the SME's expectations were met, the level of training received and how the employees dealt with the changes.

The interview structure is semi-standardised. Some data gathered is factual and non-emotional with similar features, but differing experiences will be discovered, detail is required and at least one of the interviews will vary from the rest. The validity of the data gathered will be assessed by the direct method, that is the author will go back to the interviewees and confirm that the analysis was accurate.

A written report explaining the results will be completed once each question has been analysed. The author intends the results will answer the research question in evaluating how the software systems were implemented into the SME, why it was done that way and the ramifications of that choice.

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## Appendix A

### Interview Questions for SME employees

1. For the record, please state your name and job title.
2. How long have you worked here?
3. Why did the business change from Quickbooks to Xero and WorkFlowMax?
4. How did the implementation stage go?
5. Is the software running as you were advised it would?
6. What was your level of involvement in the Planning Stage?
7. Has there been any training? If so, how much and what form did it take?
8. How have you dealt with the transition from your old system to your new system? Were you given adequate preparation for it?
9. Has the new system changed your job-specific behaviour?
10. What, if anything, has changed as a result of the new system implementation?
11. What improvements would you suggest for future implementations of software systems?

## 6 Appendix B

Interview Questions for packaged software vendor

1. For the record, please state your name and your job title.
2. How long have you been in the business you are in?
3. When your services were engaged by the SME, what did you use to establish what they required in a new information system? Was it related to the known Systems Development Life Cycle?
4. If a formal process was used, was it thorough? Were all steps followed or some missed? If missed, was this deliberate or accidental?
5. WFM is best suited for jobs that are more than a day in length. Why do you think it would not suit the SME?
6. Given the match between WFM and businesses with predominantly extended jobs, why was WFM still considered a match with ARC?
7. How many people did you work with from the SME in setting up the new software? How did this go? Why (that choice)?
8. Did you have a set training / implementation structure for this SME?
9. Were all staff given the training they needed?
10. Were you under pressure to deliver a system quickly? If so, how did you deal with that?
11. Is the software running as you advised the SME it would?
12. What do you feel could have been done better in implementing the new system with the SME?

# A Strategy for a University Café during Holidays

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## Abstract

With no existing strategy for a cafe business and a highly competitive market, the organisation requires a planned strategy. This research proposes to research a café to determine the best strategy for the organisation. A questionnaire will collect quantitative and qualitative data and the organisation will be observed to determine business strategies.

*Keywords: Restaurant, Café, Strategy*

*JEL Classifications: L10*

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# 1. Organisational Context

The selected organisation to study is a franchise of a café and restaurant. The organisation has three sites on a tertiary institute campus. Each site has different opening hours. The different opening hours are 7am to 5pm, 6.30am to 3pm Monday to Friday, and 8.30am to 3pm Monday to Sunday. Sites range in customer space of 20-30 customers, 30-40 customers, and 15-25 customers. There are currently 20 employees including managers.

## 1.1 Internal Analysis

### Strengths

The location of the organisation creates competitiveness, because the three sites are all located at the university. If we regard the university as a big market, there are few competitors in the market.

The dining environment of all three sites is an advantage. All have sofas which can let customers sit more comfortably. When winter comes, the heaters will be on to create a warm atmosphere. They also have different sizes of tables. The biggest one can seat 12 people, which means when students in a big group want to have a meeting, the table is big enough to allow them to sit together. If people want to have a function for about 50 people, they have enough customer area and tables to hold a big function. People sitting there can share their experience and chat with others.

They offer different kinds of drinks, snacks and meals. They have many kinds of cold drinks, such as ice teas, soft drinks, juices and smoothies. They also provide hot drinks, such as all kinds of coffees, hot chocolate and different hot teas. Different fried food, such as fries, and wedges are provided all day. If customers want a formal meal, their chef can make the food as required.

All the food and drinks can be either consumed there or taken away.

### Weaknesses

Because the organisation has three sites which are located in different areas, it is not always easy to manage and control. Each site has one manager who has rich experience, and all the managers are at the same management level. Sometimes they will have different opinions which makes it hard for the overall manager to make decisions.

Service quality is a problem for most restaurants. When there is a rush like morning time

and lunch time, the service quality may be lower. Service quality is one of the most important factors to influence the sales and the flow of the customers, and it will also affect the reputation of a business.

The menu is fixed and there are no pictures on the menu. It will make customers feel hard to choose their food only by the words format without pictures. And another disadvantage is only Lake site has a chef, they have daily special food, but other two sites do not have a chef. The second site can only do the food on the menu, and the third site does not have a kitchen, and only sells cabinet items.

The major customers are New Zealanders, because nearly all the staff are New Zealanders. There are only two Chinese staff working there. The chef created the menu which is aimed at the appetite of locals. So most Chinese students will choose Sushi as their food. It means a customer loss.

Customer consumption level is also a problem, because students are the major customers, and their consumption level is at an average or below average level. As a result, the price of the products cannot be high or the customers are unable to afford.

The biggest problem is study break and summer vacation. During these periods the number of the customers and sales drops sharply. This is the largest disadvantage.

## 1.2 Situational Analysis

### Political

According to the recent immigration policy and the open policy to other countries, New Zealand creates a stable relationship with other countries all over the world. More and more international people come to New Zealand. As a result, more and more international students will come to study at the university as the university is a good option, which means the population of the customers is increasing every year. According to the report for this year, more Chinese students and immigrants came to New Zealand and the government encourages them to come to study and work. (Statistics, 2017).

### Economic

According to the GDP report of New Zealand, in 2016, the GDP rate in 2016 was 3.9%. (The World Bank, 2017).

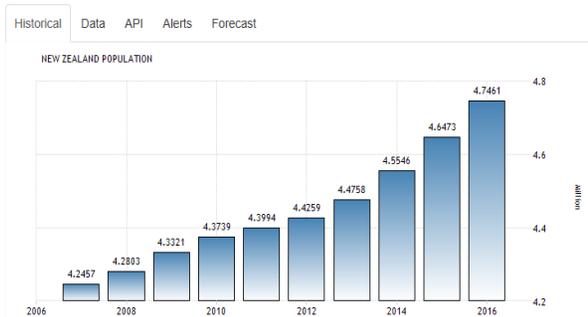
From the report of the employment rate in 2016, there is a rising trend in employment. (Statistics, 2017).

With the growth of the economy, the economic position presents a stable trend. A

stronger economy represents the people’s consumption level increasing which will bring more profit to all the industries in New Zealand.

**Social**

Population diversity is the social trend of New Zealand.



(Trading Economics, 2017).

According to the diagram, it is clearly shows that the population of New Zealand is increasing year by year. People from different countries make up a large percentage of the population, at an increasing rate. As a result, the population diversity trend will have a deep impact of the whole market and it will also create a market potential for the organisation.

**Technological**

With the development of technology, some automatic coffee machines have appeared in the market. However, customers prefer hand-made coffee to automatic coffee because hand-made coffee has a better taste. In addition, when customers have a special requirement for their coffee, the automatic machine cannot meet their requirement. The normal coffee machine is more flexible than new technology. As a result, the automatic coffee machines do not form a threat to current café industries.

**Environment**

New Zealand is a pure country, with sustainable development as an objective of all businesses. It is unavoidable to create some garbage when making food, especially takeaway cups and boxes. If the customers take their own cup to buy the coffee, they will get a 10% discount. However, takeaway boxes and cups are still widely used, which needs to be improved in the future.

**Legal**

As a food industry, the food safety and clean working environment must be inspected by City Council once a month. As Lake site sell alcoholic drinks, they must obey the Sale And Supply Of Alcohol Act 2012 and the Minor Law. In addition, as they hire employees working there, they also need to obey the Employment Laws.

**Analysis of the competitors**

According to the special site of the organisation, it is nearly a monopoly in this location. However, they still have competitors around them. There is a strong competitor near two of the sites providing close geographic competition. Although the scale of the competition is not as big as them, they are different type of restaurants which provide different types of food. The competitor provides Asian food and aims at Asian students which means the organisation under study loses many customers.

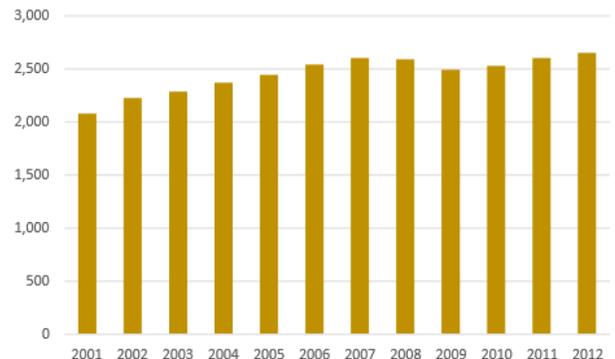
**Analysis of the café, bars and restaurants in New Zealand**

**Table 8. Contribution to GDP by the cafés, bars and restaurants sector (2001-2012)**

Year	Cafés, Bars and Restaurants		New Zealand	
	\$ million	Change	\$ million	Change
2001	2,084		152,045	
2002	2,228	6.9%	159,473	4.9%
2003	2,284	2.5%	166,488	4.4%
2004	2,371	3.8%	173,781	4.4%
2005	2,448	3.3%	178,428	2.7%
2006	2,543	3.9%	182,439	2.2%
2007	2,609	2.6%	188,639	3.4%
2008	2,589	-0.8%	187,362	-0.7%
2009	2,496	-3.6%	188,588	0.7%
2010	2,526	1.2%	192,015	1.8%
2011	2,605	3.1%	194,322	1.2%
2012	2,648	1.6%	199,966	2.9%
<b>2002-2012</b>		<b>1.7%</b>		<b>2.3%</b>

Source: Statistics NZ and Infometrics

**Figure 4. Cafés, bars and restaurants sector GDP (\$m)**

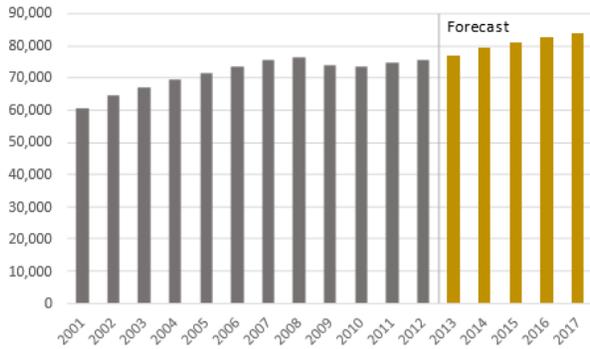


Source: Statistics NZ and Infometrics

(Serviceiq, 2013)

As the bar chart shown, from year 2000 to 2013, the number of the business units in cafés, bars and restaurants is increasing at a stable rate. The growth rate over 10 years is around 2.4%.

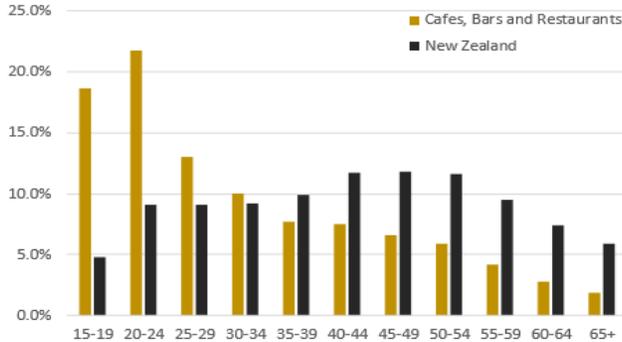
Figure 7. Total employment in the cafés, bars and restaurants sector, 2001-2017



Source: Statistics NZ and Infometrics  
(Serviceiq, 2013).

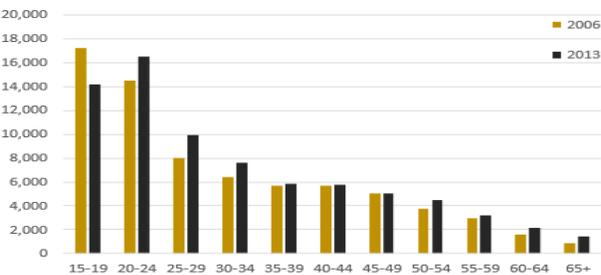
From Year 2001 to Year 2012, the contribution to GDP by the cafés, bars and restaurants sector is stable, because in that period, there was a financial crisis over the world. However, it is clearly shown that from 2009 to 2012, the whole trend is recovering.

Figure 8. Proportion of total employment by 5-year age group,



Source: Statistics NZ and Infometrics

Figure 9. Employment by 5-year age group in the cafés, bars and restaurants sector



Source: Statistics NZ and Infometrics

Table 12. Employment by 5-year age group in the cafés, bars and restaurants sector

Age Group	Employment		% of Total		NZ % of Total
	2006	2013	2006	2013	2013
15-19	17,276	14,173	24.1%	18.6%	4.8%
20-24	14,541	16,528	20.3%	21.7%	9.1%
25-29	7,997	9,933	11.2%	13.0%	9.1%
30-34	6,423	7,621	9.0%	10.0%	9.2%
35-39	5,657	5,837	7.9%	7.7%	9.9%
40-44	5,667	5,736	7.9%	7.5%	11.7%
45-49	5,001	5,054	7.0%	6.6%	11.8%
50-54	3,747	4,498	5.2%	5.9%	11.6%
55-59	2,939	3,155	4.1%	4.1%	9.5%
60-64	1,581	2,128	2.2%	2.8%	7.4%
65+	828	1,458	1.2%	1.9%	5.9%
<b>Total</b>	<b>71,658</b>	<b>76,121</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Statistics NZ and Infometrics

(Serviceiq, 2013).

In Figure 7, the employment rate is steadily increasing in these years, creating more job opportunities in New Zealand. (Serviceiq, 2013).

Figure 8 shows that the sector is attractive to young people who can do their jobs around study.

Table 13. Employment by gender in the cafés, bars and restaurants sector

Gender	Employment		% of Total		NZ% of Total
	2006	2013	2006	2013	2013
Female	43,687	43,693	61.0%	57.4%	47.1%
Male	27,971	32,427	39.0%	42.6%	52.9%
<b>Total</b>	<b>71,658</b>	<b>76,121</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Statistics NZ and Infometrics

(Serviceiq, 2013).

From 2006 to 2013, the percentage of female workers has decreased from 61% to 57.4%, while male workers have increased from 39.0% to 42.6%. However, this sector creates more job opportunities for female than male.

Through the analysis, in the future, the organisation under study still has potential in this market as the whole market is recovering. The advantages of the location and the economic development will create more prospects for further development.

## 2. Literature Review

### 2.1 Porter's Strategies

Porter described three generic strategies which can be applied in a business to create and sustain a competitive advantage (Gopalakrishna & Subramanian, 2001). These strategies are cost leadership, differentiation and focus (Pradeep & Ram, 2001). Through the three generic strategies, a company can create a unique business nature which cannot be imitated by other businesses.

### Cost-leadership

The cost-leadership strategy is to emphasise the efficiency of a business by producing a large scale of products at a lowest price. (Porter, 2008). In this strategy, the products are produced at a relatively low cost and aimed at a large number of customers (Porter, 2008). The cost leadership strategy is that, to maintain its cost advantages, a business needs to constantly improve its productiveness and reduce its supply cost. Otherwise, the business also needs to limit their competitors, making them difficult to copy their characteristics (Duica & Duica, 2014). Because the consumers are now sensitive to price, by following this strategy, the business aims to reduce the cost in all activities. In this way, the gap between the market price and the cost will be greater. As a result, a company can get a competitive advantage by getting a high benefit (Thompson & Strickland, 1996). The cost-leadership strategy requires a company to be a cost leader, as the competition among the rival business is fierce, and every aspect of the market share is regarded as vital (Kurt & Zehir, 2016).

In New Zealand, the consumption of fast food by young adults is quite high. With young adults as the target customer, their consumption level is on average or below the average. This strategy meets the requirement of the target market of the restaurant as the main target customers are young adults (Claire & Andrew & Elizabeth & Winsome, 2013).

### Differentiation

The differentiation strategy is to provide unique goods and service to different segments (Porter, 2008).

Differentiation is about creating a product which is perceived as unique and the specific features can provide a superior value to customers. The unique products are different from the products produced by other competitors in order to ensure the absolute competitiveness among all the competitors. Additional costs will be created in the process and a premium pricing strategy will be required (Porter, 2008).

The differentiation strategy can create a special brand awareness and customer loyalty. Product differentiation aims to offer specific products and services to meet the specific needs of customers. As a consequence, customers often have a higher loyalty and brand awareness (Dickson & Ginter, 1987).

Case: Australian manufacturing companies participated in the “Best Practice Program in Australia” to research the relationship of the differentiation strategy and competitive advantage. As a result, the company which has differentiated products has a higher customer loyalty and more competitive advantages than other companies (Yamin, Gunasekaran, & Mavondo, 1999).

### Focus

In focus strategy, the firm aims at a selected target market which has been focused on a narrow market segment and establishes a special marketing plan to better meet the needs of the target market (Porter, 2008). The firm which uses focus strategy is trying to get competitive advantages through effectiveness rather than efficiency. It is more suitable for small businesses to create brand awareness, market position and reduce cost. The focus strategy can be used to aim at the specific market where the competition is weak or the substitution is not easy to get a high return (Porter, 2008). When consumers have unique preferences or the competitors overlook the potential market, the focus strategy will be more effective (Allen, Helms, Takeda & White, 2007).

### Human resource management

With greater competition, organisational performance is getting more and more important. Organisation performance is measured by human resource management. Human resources are the main factor for maintaining the organization position in a market. Human resources need to be managed effectively to ensure the expected performance of the organisation (Dahie & Mohamed, 2017). It is necessary to have a human resource strategy and to adapt the strategy to the organization (Adler & Schroeder, 2003).

The restaurant is a hybrid service industry. It is an especially different industry. The manager of a restaurant decides the performance of the employee to a great extent (Muller, 1999). The restaurant industry is in the service sector of the economy. There is a direct relationship between restaurant performance and human resource practice. The strategic human resource management which results in high performance is focused on the both the internal and external people as employees, customers and guest (Murphy & Williams, 2010).

In human resource management, managers are regarded as creating and increasing value for a restaurant and they are representative of a firm's value, not the expenditure of the firm's capital. A

successful human resource practice can not only create higher personal value, but also motivate all staff to achieve a better performance, thereby increasing the value of a business (Murphy et al, 2007).

#### Consumer psychology and behaviour

Understanding how consumers think, feel and respond to the products that the company supplies is a flexible factor of a business (Ming, 2017). Driving customers' mind, attitude and behaviour is regarded as a tricky strategy of a business, as the traditional methods have been well known by all people. Therefore, a strategy needs to be developed according to the customers' potential thought, feeling and intentions (Ming, 2017). In understanding customers, the managers should use both traditional and brain-based methods as a supplement rather than substitute. By using an appropriate approach, it will be not difficult to affect customer's minds and make them controllable (Munsterberg, 1913).

Now, this is a data age, and by collecting and analysing information and data from the consumers' needs a business can have a better understanding about validation of existing insights and the creation of new and novel insight to follow the marketing trend. The data collection is strategically important, but the incomprehensiveness of the data will affect the result of the analysis. A long-term and detailed data report will be important to measure and predict customers' attitude and behaviour better (Ming, 2017). Research has found that there are five critical success factors (CSF) to the implementation of software in businesses; these factors are: top management commitment and support, change management, business process re-engineering (BPR) and software configuration, training job redesign and project team: the best and the brightest (Schuler, 2010, Varadaraj & Goud, 2012; Kouzmanov et al. 2015; Janson & Subramanian, 1996).

"It is not just the technology that is being implemented, but processes are re-engineered and people are re-organised to perform better in the organisation" (Varadaraj & Goud, 2012). Impediments to successful implementation include ineffective communication with users, insufficiently trained end-users and failure to get user support (Schuler, 2010).

Schuler (2010) points out that end-users tend to be thrown in the deep end and have to learn by trial and error, often without any training documentation. Big organisations can cater for

better training purely because they have more money to make it cost-effective. SMEs do not have this luxury, and often are not even aware of what they should be training their end-users on, due to their lack of experience with implementing software systems (Schuler, 2010).

There are different options to train end-users, one possibility being that the software vendor trains them. This training tends to be generic and based on standard training modules (Schuler, 2010). This is not good for customising for a specific business. The downside of a lack of tailoring means organisation-specific knowledge is lost and this compromises the training effectiveness (Schuler, 2010). To counteract this loss, end-user documentation and more tailored documentation would help learning ability and usability (Schuler, 2010; Jansen & Subramanian, 1996).

Another training option is key-users training end-users. "They know the specific job processes and functions and know which skills will fit each role" (Schuler, 2010). However, aside from the lack of teaching experience, the key-user has little time to plan, prepare and perform end-user training. The system is not set up for training, customisation has not been completed and the bugs have not all been fixed (Schuler, 2010; Jansen & Subramanian, 1996).

### 3. Research Aim

The research question of this research is what is the best strategy for the organisation, especially in the holiday time?

Currently, the organisation has a few issues. There is no clear business strategy to enhance its marketing competitiveness. Maintaining the present status and lacking awareness of innovation are two big problems of this café. Keeping the old customs and resisting the acceptance of new things hinder the further development of the business.

The competition in the restaurant industry is fierce, so it is necessary to keep customers and maintain customer loyalty. A specific business strategy needs to be established for customer needs to maintain customer loyalty.

Another big problem which has been identified is when there is a holiday, the number of the customers falls sharply and a strategy needs to be identified in response to this.

This research only examines the situation of the organisation, and the scope of the research is focused on the nature of the business and the marketing environment through the survey of customers,

observation of the current situation and its competitor and an interview of the manager.

## 4. Method

### 4.1 Subjects

The method which is used in this research includes three parts: quantitative, qualitative and observation. Quantitative research method is to use a large amount of data to get generalised results. (Atlasti, 2002). Qualitative research is to get particularly suitable data to gain an in-depth understanding of the result. (Atlasti, 2002).

Related to the quantitative and qualitative method, information and data will be collected through the survey and the manager of the organisation. The number of the participants in the survey is 50, chosen by systematic selection to be every fifth customer who consumes in the cafe. The ten survey questions were developed to understand different kinds of customers' situations and perspectives. The information that their manager provides is much more detailed, such as their long-term and short-term goals and the troubles they face. The researcher will also observe the current and real state of operation of the cafe and the main competitor, then compare these in order to discover any deficiencies and analyse the advantages and disadvantages to find the places which can be improved.

### 4.2 Limitations and Ethical Issues

The study of this project refers to one of the managers of the organisation and the strategies and goals. All the information about the business is provided by the manager. It is necessary to keep the information confidential and protect the interest of the business and owner and it is important to ensure the confidentiality and the safety of the data. All the information can only be accessed by the researcher.

The survey will be developed to collect the data from the customers of the cafe. The researcher needs to get the consent of the customers. All the participants who participates in the research is voluntary. All completed survey and data are stored by the researcher at a safe place and all personal information of the participants will be protected. The survey results and materials will be destroyed after the completion of the project.

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## 6. Appendix A

### Survey

1. What's your age?				
Under 18	18-30	31-40	41-50	51+
2. What's your gender?				
Male		Female		
3. What's your weekly income?				
Under 100	\$100-200	\$200-300	\$300-400	\$400+
4. How often do you consume in the café?				
Daily	Weekly	Monthly	Seasonally	Yearly
5. Why do you come to dine in the café (multiple choice)				
convenient	environment	price	Food taste	Service
6. Do you usually have here or takeaway?				
Have here		takeaway		
7. Are you satisfied with the food quality? (low-high)				
Low	Low-Medium	Medium	Medium-High	High
8. How much do you consume every time in the café?				
Under \$10	\$10-19	\$20-29	\$30-39	Over \$40
9. What kinds of food you always choose? (multiple choice)				
Coffee	Other drinks	Snacks (fries)	Meals	Baking food
10. Please suggest one thing which the café could improve.				

# The Implications of Tax on a Small Business in New Zealand

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## Abstract

Small businesses have little resources but must pay tax, so this investigation reports on the implications of tax on a small business. Literature is to be searched to identify the implications for small businesses.

*Keywords: Tax, Review, SME*

*JEL Classifications: H20*

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## 1. Introduction

### 1.1. Preamble

Tax can be challenging and problematic for a small business (Bedard, 2010). Tax fuels our society but can be a major burden (Kee, 2013). Small businesses seem to have major issues with taxation

as it can be difficult to get right and expensive to get wrong (Bank of New Zealand, 2016).

This study reports on the ongoing investigation regarding the implications of tax on a small business. Small businesses face GST, income tax, PAYE, KiwiSaver obligations, FBT and provisional tax on a daily basis. Juggling the monetary cost of all this while dealing with lengthy

administrative hours can become increasingly difficult to keep up with.

Small businesses can be seen as the backbone of the New Zealand economy (New Zealand Government). Small to medium sized enterprises help to make up 97% of New Zealand's overall businesses (New Zealand Government). Small businesses also help to contribute 30% of New Zealand's GDP (New Zealand Government, 2014).

Taxation and small businesses is an issue that is faced daily (Gupta, 2011). Small businesses do not have the resources and funds of large corporations which means tax compliance can become difficult (Kenny, 2016). This is where tax evasion comes into play, where business owners do not declare or under declare income (Your NZ, 2016).

Our taxation system is unnecessarily complicated and small businesses need a break in terms of taxation compliance (Gupta, 2011).

## 1.2. *Organisational Context*

Small businesses can be difficult to define. Universally there is no exact definition of what a small business is (New Zealand Government, 2014). Looking at small businesses from a vague point of view it would seem that they all are universal in the fact that they are small in size. However, some argue that there needs to be a strict set of guidelines such as a number of employees or a certain restriction on the amount of annual profit.

In New Zealand, small businesses do not have an exact threshold of what defines them. However, in a factsheet produced by the Ministry of business, innovation and employment, defines a small business as one with 20 employees or less (The Ministry of Business, Innovation and Employment, 2015). This is used in legal instances as case law and is also used in Australia which helps with comparison. However, this factsheet emphasises that this is not an official guideline.

However, this is where the major similarity with small business stops. A small business will be shaped by its mission statement, owner, manager and the overall culture within the business.

The organisational context of a small business can be difficult to analyse, because small businesses are all vastly different. The culture will vary greatly depending on the nature of the business. Small businesses can be niche, not for profit, start-up companies, and the list goes on.

Small business structures can either be functional, divisional or matrix (Chron, 2017). These

structures can begin in a new small business on a trial basis, so it is important for small businesses to be able to change and adapt to new scenarios as they come up.

Research has indicated that the type of small business can impact how they will comply with paying their taxes (Yong & Martin, 2016). Depending on ethnicity and socio-economics different groups have a different outlook on where their money should be spent. For example, people with an Asian ethnicity hold paying their taxes in a much higher regard due to the pressure they feel within their culture to run a successful business. However, people with a Maori or Pacific island heritage found that putting their money towards their family and church was regarded as having the highest importance.

A need for a definition of what constitutes a small business arose due to the fact that legislation and government initiatives favour small businesses in terms of taxation (The Ministry of Business, Innovation and Employment, 2015).

The current initiatives regarding small businesses and tax can be seen in literature as overly complicated and difficult to comply with. Compliance costs for a small business can be high (Kenny, 2016).

The number of administrative hours spent on taxation in a small business is seen as proportionately high (Chittenden, Kauser, & Poutziouris, 2003). Tax in a small business is extremely time consuming, and the nature of a small business can itself be very time consuming.

Taxation compliance is highly complicated for a small business. There has been an outcry of support for the IRD to simplify how small businesses need to pay tax (NZICA; TMNZ;, 2009). A small business needs to pay a plethora of different costs and calculate these themselves. Calculating the tax is difficult with the vague outlines currently in place and a lack of support regarding compliance.

Budgeting constraints are a major issue with small businesses. Within a small business the budget is smaller than that of a large company. Profits can be low and unlike major companies, a small business may not be able to afford a professional tax accountant.

There are systems in place to calculate tax and simplify the taxation of a small business. However, as discussed previously, a small business has a much lower budget and these programs can be costly. The technology on the market is priced for larger corporations with a bigger budget which leaves small businesses in the lurch as they cannot afford this technology.

Tax evasion is a major issue within New Zealand with an estimated 1.3 billion being lost to evasion each year (Harris, 2011). With the time consuming and costly nature of taxes, combined with the IRD's inflexible approach, it is no wonder businesses are evading taxation issues.

The over complicated nature of the tax system leaves big room for improvement (Gupta, 2011). A small business does not need to spend this much time or money on their tax compliance.

## 2. Literature Review

### 2.1. *Defining Small Business and Applicable Tax*

A factsheet regarding small businesses prepared by the Ministry of Business, Innovation and Employment states that there is no official definition of a small business. However, a small business in New Zealand is regarded as one with 20 employees or fewer. This has been used in legislation and is traditionally the expected guideline. Australia also uses this definition which can be helpful when drawing comparisons. This factsheet outlines how internationally there is no universal guideline but many countries use a higher limit than 20 employees.

The New Zealand Government released a report in 2014 outlining the small business sector of our economy. This report helps to highlight the important nature that small businesses hold in the New Zealand economy. Small to medium sized enterprises comprise 97% of the businesses in New Zealand. SME's help to boost the labour market by employing close to 1 million people. Small businesses also help to contribute to 30% of New Zealand's annual Gross Domestic Product. Steven Joyce, the finance minister outlined how crucial small businesses are to the New Zealand economy.

The Inland Revenue Department annual report describes New Zealand as having a voluntary compliance based tax system. This system is seen to be an agreement where entities must understand and comply with their taxation requirements. This system is enforced through the Inland Revenue Department. Entities get their earnings in full and then must pay their taxation compliance to the IRD separately. Internal taxation costs for New Zealand small businesses include goods and services tax, income tax, pay as you earn tax, KiwiSaver taxation obligations and fringe benefit tax.

Kenny (2016) delves into the complexity surrounding how small businesses are defined in both New Zealand and Australia. He compares the two systems and agrees that New Zealand's lighter

approach makes tax concessions easier to follow and understand. Kenny (2016) calls for a reform on Australia's definition of a small business as they have strict tax implications for small businesses, which can greatly impact how much tax is to be paid and the administrative procedures needed. However, Kenny (2016) believes that New Zealand's loose set of guidelines surrounding the definition of a small business does not need a reform as tax concessions are not nearly as strict as Australia's. This article helps to shine a light on comparing the tax implications small New Zealand businesses face and compares them to a much stricter set of guidelines. He also calls for governments worldwide to set a definition of what constitutes a 'small business' as tax implications continuously favour small businesses.

### 2.2. *The Monetary Cost of Tax Compliance on Small Business*

An article published in the Australian Tax Forum titled 'tax compliance costs for small businesses in New Zealand' (Gupta & Sawyer, 2015) gives a profound overview on the taxation compliance costs that a small business will face in New Zealand. This article found that the gross overall cost of compliance averaged at \$31,096 for a small business annually. This study also found that recording compliance information was the most time consuming activity a small business can do as it accounts for over half of the total time spent on different activities. This article helps to throw light on the different concessions in the tax system which are meant to help small businesses. However, their survey casts doubt on the different methods and shows they don't necessarily help simplify tax for small businesses at all. This article also helps to show the complex nature of New Zealand small business and how difficult it can be for small businesses.

A study conducted by Lignier and Evans (2012) is one part of an international project which evaluates the issue of taxation compliance issues with small businesses. Similar to Gupta and Sawyer they conclude that the burden on the small business sector is large and has become worse in recent decades, which they believe is an indicator that the taxation compliance burden will increase in coming years for small businesses. There is also a cohesive argument as stated in the article above which emphasises the current state of administration with tax compliance. This draws the conclusion that government initiatives that are meant to help lighten

the burden of small businesses with tax compliance issues, do little or nothing at all to help.

### 2.3. *How Tax Compliance can Impact Groups of Small Business Owners*

A complex study published by Yong and Martin (2016) found an interesting discovery in terms of how different ethnicities of small business owners respond to tax compliance. The study concluded that there are major behavioural differences through different ethnicities regarding their tax compliance. Individualism and collectivism play a major role on how different ethnicities will make their tax payment decisions. Yong and Martin found that collectivism meant that small business operators of Asian ethnicity kept up with paying their taxes as they did not want to be shamed in their community if there was a business failure. It also found that operators of Asian descent had easier access to funds through collectivism to ensure their taxes were paid. The study found that small business operators with Maori or Pacific heritage had more of a collectivism obligation to their family and church. It was found that they will put their money towards these groups first rather than their tax compliance. Small business owners with European descent did not find difficulties in paying their taxes as they did not have a strong collectivism to a group.

Similar to Yong and Martin, there was another study completed for the *International Journal of Law & Management* (Pui Yee, Moorthy, & Choo Keng Soon, 2017) regarding tax payer perception. The study found that increased knowledge on tax compliance is an important characteristic that impacts how taxpayers view the importance of tax compliance. This would help to improve tax compliance overall and help to reduce tax evasion. When it is common knowledge that tax evasion is unacceptable, small business owners will comply with their taxation obligations. Social exchange plays a big part in overall tax morality: where others with small businesses comply with taxes it is found that others will also comply.

### 2.4. *How Tax Administration and Government Initiatives can Impact Small Business*

A report from the Inland Revenue from 2004 shows the IRD wanting to help small businesses to lower their compliance costs. The IRD sent out a mail survey with the intention of measuring small business tax compliance costs, with an aim of trying to create an easier system for small

businesses where their compliance would be easier to comply with and also less of a financial burden. This mail survey found that the overall compliance cost to New Zealand small businesses was 97.4 hours of their time and \$5,628 annually. This helped to set a bar and the IRD then developed plans to lower these numbers in both time and money.

NZICA and TMNZ combined to publish a discussion paper about their proposals to help reduce taxation compliance for small businesses. They wanted to set legislation in place such as how small businesses should not need to spend more than one hour monthly on tax compliance issues, file more than one tax return and not make more than one tax payment. This discussion paper outlined how this could greatly reduce tax compliance issues for small businesses by at least a third. This proposal put forward a powerful argument that the New Zealand tax system is regressive and overly complicated.

An article published in the *International Small Business Journal* helps to bring insight into the taxation implications found in multiple countries. This study conducted by Chittenden, Kauser and Poutziouis (2003) combined literature which found that tax is the largest single compliance burden in small businesses across the USA, UK, Australia and New Zealand. Their study helped to conclude that even with government help with changing administration to help deregulate compliance and help with simplification, there is no hard evidence that these protocols have helped small businesses with their compliance issues. They studied government tax compliance initiatives regarding small businesses over these 4 countries starting as early as the 1980s. These studies concluded that compliance issues with small businesses have not reduced or even helped to contain the burdens found in tax regulations that impact small businesses.

A New Zealand study 'Simplify tax maze to grow small business' published the results of a survey finding how small business owners regard tax law complexity (Gupta, 2011). Gupta (2011) found that tax compliance and administration are holding back small businesses. He finds that small businesses are essential to the New Zealand economy but tax is regressive and holding back small businesses. Gupta (2011) surveyed 161 New Zealand small businesses and asked them to rate the most difficult tax aspects in their business, on a scale of one to five. This showed overseas share investments and the fair dividend rate method were the most difficult aspects to understand and comply with. It also found other

difficult aspects include legislation regarding associated persons' income tax, frequency of tax law change and guidance from Inland Revenue, land sales regime, and the portfolio investment entity and portfolio investor rate. This study also found that progressive tax rates, work-related/home office deductions, depreciation rates, carry forward of losses and cash versus accrual accounting were all problematic. Gupta (2011) explains a lot of these challenges have been addressed within the past year with new legislation changes through the Inland Revenue. He also states these can easily be simplified which would reduce errors and disputes majorly, thus increasing overall taxation compliance.

A report produced by the New Zealand Government reports on small businesses in New Zealand. One section discusses taxation issues regarding small businesses in New Zealand. They consulted Inland Revenue and found that the IRD is making changes to how small businesses will pay their tax. It has been said that systems are being implemented to make it faster and simpler to pay tax. It was suggested by the government to further simplify the timing, frequency and calculation system of compliance costs. It was also found that holiday pay is unnecessarily complicated and that system needs re working. It is also said that there needs to be a more flexible penalty payment system. Currently the IRD demands a lump sum in penalties, but it would be more small-business friendly if there was a flexible payment system so small businesses were still able to operate if they did not have the full amount of funds at the time of penalty.

## 2.5. *Tax Evasion*

Love (1998) helps to examine the cost of tax evasion in New Zealand. He found that the Inland Revenue estimate the cost of tax evasion to be around 10% of New Zealand's GDP. The revenue minister at the time, Max Bradford, estimated this cost at about \$8.8 billion dollars. This tax evasion comes from a vast range of crime, from selling stolen goods to businesses over estimating expenses or under declaring income. The Inland Revenue describes this as a heavy burden on the New Zealand economy. In the year the article was published the Inland Revenue proceeded to audit 85,000 businesses and found \$514 million tax to pay. This number of audit checks is a major increase over any previous years. It was recommended that the Inland Revenue should be doing more to crack down on tax evasion.

A Deloitte tax accountant, Greg Harris (2011), brings an insightful look into how tax evasion should be dealt with through the IRD. Harris reveals an estimated \$460 million is lost through tax evasion in the Waikato alone, with over \$1.3 billion dollars lost throughout New Zealand annually. This number is different to the article above and there is no cohesive number of the actual amount lost to tax evasion as this is not tangible. Harris states that larger businesses do not tend to evade tax but the smaller businesses are heavily targeted by the Inland Revenue due to the unsophisticated accounting systems, daily cash transactions and how heavily the owner comes in on daily operations. Small businesses are audited randomly through the IRD, but sometimes anonymous tip offs and individuals who have an incongruent lifestyle vs income can be selected. Tax evaders face large fines, imprisonment and possible publication of name. Even with these consequences it seems that there is still a small majority of the population who continue to evade tax.

In an article by Your NZ (2016) the burden cash jobs being completed has on the New Zealand economy is emphasised. Cash jobs, commonly known as 'cashies', are when trade industries complete jobs for cash which does not get put on the books as income. This is a common practice for tradesmen who give a 'cash price' which can be a large sum of money that will never be taxed. This is seen as one of the most common forms of tax evasion and is regarded casually by New Zealanders. The bottom line shows that even though this is a common practice it is illegal to pay someone to complete a cash job through aiding and abetting and it is illegal by the tradesperson to not record these cash jobs as income.

## 2.6. *Research Question*

The research question 'The implications of tax on a small business in New Zealand' can be broken down to better understand the purpose of this study. It can be better understood through literature and the organisational context.

Small businesses in New Zealand are defined as one with 20 employees or less. This study will analyse specific tax compliance and administration in New Zealand.

'The implications of tax' regards how compliance costs, legislation and administration impact a small business.

This research defines a small business and the tax that is applicable, the monetary cost tax compliance has on a small business, how

administration and government initiatives impact a small business, how compliance impacts groups of small businesses, and tax evasion.

Through extensive literature the research overall will conclude what impacts taxation can have on a small business. It will also look at how government initiatives can be changed to further simplify taxation compliance and administration.

### 3. Method

Secondary research was used to produce this report. This was due to the extensive research on this topic already and also due to ethical and time constraints.

This secondary data was collected through internet databases. The main database used initially was the Wintec library database. This led to online databases such as ProQuest, an online data source and EBSCO host which is another online data source.

After the literature was studied on these databases, multiple further search engines were used to find further literature. This also helped to broaden the study. Google was used as well as Google Scholar, which helped to bring further literature to the study. The multiple search engines helped to create a plethora of vastly different information, which led to a mixed amount of literature from different sources such as academics and governments.

From here the relevant literature was picked and put into a table which separated the sources into themes. This helped to see where research was lacking and also helped to group common themes in literature about tax implications of small businesses.

This data collection method allowed for the most relevant literature which fit the study. A lot of literature was discarded as limitations would occur such as the relevancy of the data.

Common themes found in the extensive literature were narrowed down to defining a small business and the tax that is applicable, the monetary cost of tax compliance on a small business, how tax administration and government initiatives can impact a small business, how tax compliance can impact different groups of small business owners and tax evasion. These themes were picked as they were reoccurring throughout the literature and helped to define the research question.

Data was 'cleaned' that was found in these studies. This meant that background checks were completed to ensure relevant, accurate data was being used. Discrepancies occurred in the literature

as different authors had different perspectives but this was taken into consideration.

#### 3.1. *Benefits and Limitations*

Although this research has been prepared accurately and gives insight into the topic of the implications of taxation on a small business in New Zealand, there are some predominant limitations that were unavoidable due to the nature of the study.

The research of this study regarding the implications of taxation on a small business was gathered using secondary research and data. This research includes articles and previously published materials such as books, journals and websites.

A limitation can be the fact that no primary data was used in this study. Relevant primary research may have helped to create a broader perspective on the implications of taxation on a small business in New Zealand.

Using secondary research has both advantages and disadvantages. Advantages include saving time as the research is already gathered and prepared. Another advantage includes the low costs involved with secondary data which fits a low budget.

The limitations of secondary data can include the inaccuracy of the research. However, this can be counteracted through comparing studies and fact checking. Bias or inaccurate data is a major limitation while using secondary data. Scrutinising where the data came from is crucial to find accurate relevant studies.

Another limitation can include the relevancy of the information found. Checking the date of the research is key as sometimes it can be outdated. This research is ever evolving, with tax administration and legislation consistently being updated. This means that the research used needs to be as relevant as possible.

Using secondary research means sample sizes can be small, which leads to inaccurate data. It is important to check the origins of the data and the method used to gather the data.

Due to the nature of the study there are limitations with budgeting and timing issues. There is a low budget and also a small window of time to complete this study.

Another limitation can be the geographical location of the study. As this study is a specific topic regarding New Zealand there is a very minor amount of previous research. There are also limitations with the information available about taxation implications of small businesses in New Zealand.

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# Identifying Successful Sales and Marketing Strategies that Affect Customer Loyalty in a Coffee Shop

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## Abstract

.Most small businesses such as coffee shops are concerned with customer loyalty and satisfaction, and increasing profitability. Marketing strategy becomes important when customer loyalty is low. The aim of this research is to identify sales that affect customer loyalty in a small coffee shop and to investigate the relationship between effective marketing strategies and customer loyalty, using a survey of customers.

*Keywords: Strategy, Loyalty, Customers*

*JEL Classifications: M31*

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# 1. Introduction

This research investigates strategies to be used at a café located in Hamilton, New Zealand. The café mainly serves coffee, iced drinks, food and dessert to customers. The food and coffee is good tasting and served in a relaxing environment

## 1.1. Internal Analysis

### Strengths

**Location:** The café is located in a “food corner” involving a Dairy shop, a Bakery, a Domino, a Dessert house and an Indian restaurant. It provides largely free car parking.

**Opening Hours:** The café operates seven days and opens between 7:30 am to 4:00 pm.

**Product diversification:** The Café provides a wide range of the foods and desserts for different customer segments. For example, Chocolate ginger bread men, lolly slices and fluffies to the children, and curry puffs and veg frittatas for vegetarian customers. In addition, they offer many different types of desserts and foods for the customer who require gluten-free.

**Brand of Coffee bean:** The café uses the best quality coffee beans in Hamilton.

### Weakness

**Lack of promotion:** The café has no promotion advertisements or public media presence. This makes it hard to interact with customers and get them to feel that they can actually express their opinion.

**Low popularity and reputation:** There are many people that do not know of the café.

**High staff cost:** There are around six staff working for the café, with all staff doing a similar job. This might cause an increase in operating costs.

### Opportunities

**Official website/Social Media Platform:** The café can launch their own official website and social media platform in order to develop their brand awareness grow brand trust. Also, it can interact with customers that foster a relationship with them.

**Self-Ordering:** The café can offer self-ordering on the official website and pay online which is more convenient for customers than queueing at the check-out counter.

**Chinese customers:** Nowadays, more and more Chinese people come to New Zealand for travel, living and studying, even though the number of visitors has decreased since March this year

(Tourism New Zealand, 2017). Therefore, the café could cooperate with a Travel agency that helps Chinese tours experiencing kiwi food in New Zealand. In addition, the owners of the café are from China, and they could help Chinese tourists better understanding Kiwi food culture.

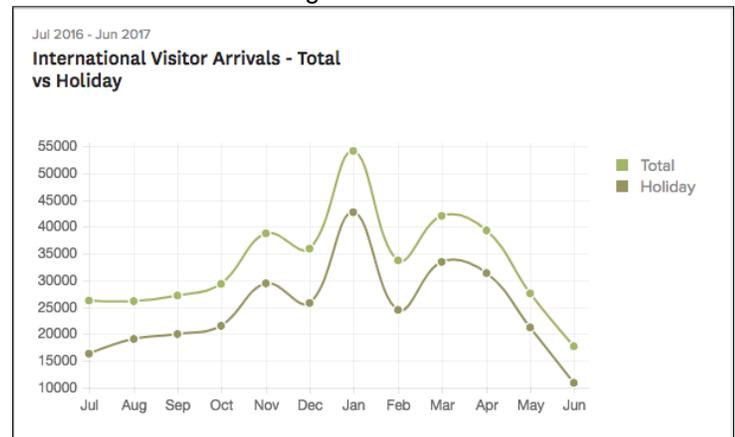


Figure 1: International Visitor arrival (Source from: Tourism New Zealand, 2017)

### Threats

**Competition:** There are lots of popular coffee shops in Hamilton, and competitors offering a lower price and better service that some of the loyalty customers might be attracted to. In addition, some of the competitors in Hamilton are famous and have a high reputation. Therefore, the café is one of many choices for customers.

**Price fluctuations:** Some of the food and desserts are not made in the café. The prices from other supplies might increase. It might cause an increase of operating cost and affect the feeling of trust of customers.

## 1.2. Situational Analysis

### Political

**Employment agreement:** Under New Zealand Employment Law, every employee has to write and sign employment agreement at the beginning of employment. With an employment agreement, employee and employer must have the same expectations about the work conditions (Employment New Zealand, 2017). With an agreement, it is the best protection for both parties. Also, an agreement can avoid trouble with some government agencies.

**Food safety laws:** Food safety is a significant role in coffee. The Ministry for Primary Industries in New Zealand are responsible for administering the Food Act 1981 that ensures New Zealand imports and exports of food is safe and suitable for domestic and international consumption (MPI,

2017). Therefore, the cafe can follow that guideline of clean and safe food in order to keep customers safe and avoid lawsuits.

### Economic

Strong international economic image: As Free Trade agreements were established in 2008, it encourages trade between New Zealand and other 19 Asia-pacific countries (New Zealand Foreign Affairs & Trade, 2017). This promotes the economic development of New Zealand and creates more opportunities for international investment.

### Social

Lifestyle: Coffee has become a common part of people's lives. A coffee shop can be common for people.

### Technological

Cheaper and higher quality coffee machines are available: There is a wider range of price and quality coffee machines than in the past.

Internet: With the development internet speeds and social media, the internet becomes a convenient platform for people to share their thoughts and opinions of retailing experiences.

customer to earn a free drink after 5 or 10 purchases through the use of loyalty cards. This can be effective in increasing profits from the customers who purchased the product regularly. The value of the reward to the business goes beyond the value that the reward is redeemed for (Quester et al., 2007, p. 209).

Laroche, Habibi, and Richard (2013) claimed that social media promotion could bring a unique opportunity for companies and brands to build a stronger relationship with their customer. As the perspective of building brand trust and customer loyalty, the social media promotion has a positive influence on customer relationship and brand loyalty. The research result demonstrates that social media promotion provide the opportunity to interact more frequently with the customer.

Zakaria, Rahman, Othman, Yunus, Dzulkipri and Osman (2014) state that the customer is loyal to the supermarket because the customer gets promotions. The advertising, promotions and other special programmes can create an attraction using special price and other special benefits for the customer. In addition, they several significant factors were identified that have positive influences to customer loyalty. For example, offering gift vouchers and providing sales invitations and discount price to the customers (Zakaria et al., 2014).

Social media promotion practices in public relations and marketing provide customer value creation (Julian, 2012). Social media promotion has a positive influence of engagement between customer and the brand. In addition, public relations and marketing promotion practices have used various media platforms to offer customer service and promote products. Social media has allowed customers to express what they exactly want. Social media provides the opportunity to collect data and connect to the customers personal feelings (Julian, 2012).

Laroche, Habibi, and Richard (2013) claimed that social media promotion could bring a unique opportunity for companies and brands to provide a stronger relationship with their customer. Social media promotion has a positive influence on customer relationship and brand loyalty. The research result demonstrates that social media promotion is more powerful to provide the opportunity to interact more frequently with customers (Laroche et al., 2013).

Smith and Sparks (2009) investigates the relationship between consumer motivations and customer loyalty of retail businesses. Using a qualitative research approach identified promotion activities have a positive influences on consumer

## 2. Literature Review

To support customer loyalty improvement in a small business, this report reviews the literature and outlines the theory to identify successful sales using marketing strategies. This review has four themes.

### 2.1. *Customer Loyalty*

According to Lynch (1995), Customer loyalty consists of both customer attitude and behaviour towards one brand. Customer loyalty is a result of strategic marketing performance and service delivery. A positive relationship exists between customer loyalty and profitability. High quality marketing strategies and customer service can impact on current customers, which can increase profit and market share (Lynch, 1995).

### 2.2. *Promotion*

Quester, Neal, Pettigrew, Grimmer, Davis, and Hawkins (2007) state a gift or reward is the most common way to affect customer purchasing behaviour. Customers enjoy receiving rewards and gifts, that are effective for customer loyalty programs. For example, a coffee shop may allow a

behaviour. In addition, they claimed that promotion could increase customer satisfaction and meet customer expectation for price and benefits. Promotion motivations are the way to direct communication with customers, and it can become a useful price comparison for customer (Smith & Sparks, 2009).

### 2.3. *Service Quality*

Horovitz and Jurgens-Panak (1993) state good service happens when staff are willing to keep quality in their work and deliver that same level of service to customers. Therefore, staff care for the business and what customers think about the business. Employees can emotionally care for the company they work in and commit to going beyond the minimum expected of them (Horovitz, & Jurgens-Panak, 1993).

Based on the knowledge of customer satisfaction, continuous improvement in service quality delivery can increase market share and provide higher profit. In addition, Lowenstein (1995) states that customer loyalty is essential if the business is to identify customer's motivations for keeping its relationship with the business. High level quality of communication with customers plays a major role in customer satisfaction which directly affects customer loyalty. Using Total Quality Management (TQM) to develop service quality can bring competitive strength for operating long-term profit in the business (Lowenstein, 1995).

Minh and Nguyen (2016) identified significant effects of service quality on customer loyalty. Customer loyalty is demonstrated as the result of the performance of service quality delivery. They also recognized as several factors related to customer satisfaction from service quality. For example, an appearance of staff, service attitude, on time performance and air conditioning impacted customer satisfaction. Service performance had a positive effect on customer satisfaction that can directly increase long-run profit (Minh & Nguyen, 2016).

As Leland and Bailey (2011) identified key strategies to be successful in building customer service. For example, businesses have to examine and change the customer-centric systems to resolve the service problems of limited service improvement. In addition, collecting feedback from customers is a key step in developing service quality. After gathering the data, businesses need to be sure any appropriate findings are provided back to the customers. Feedback can maintain

and develop stronger and closer relationship with customers (Leland & Bailey, 2011).

According to Gronroos (1990), many businesses define service quality by internal operations analysis and benefits can be created from improved service quality with increased competitors in the market. The research gained data from a sample of business executives.

Quester, Neal, Pettigrew, Grimmer, Davis and Hawkins (2007) claimed that time is a significant part of service delivery. Hotels and restaurants were used as an example of the impact time has on assessment of quality service delivery.

### 2.4. *Price*

A low price provides a high level of customer satisfaction (Semerciöz, Pehlivan, Sözüer, and Mert, 2015). Food and beverage providers have to be careful engaging with customers to secure their share of spending (Semerciöz et al., 2015). With shopping and consumer habits changing, businesses need to consider different approaches to attract customers. However, value and price become a central concern to the choices that customers make (Semerciöz et al., 2015).

However, Frank, Torrico, Enkawa and Schvaneveldt (2014) identified higher relative product price directly demonstrates product value to the customer. Furthermore, the price has a great influence on customer satisfaction and fairness. According to their research, loyal customers are also price sensitive enjoy (Frank et al., 2014).

Zakaria, Rahman, Othman, Yunus, Dzulklipli and Osman (2014) identified that a special price offering has a positive influence on customer satisfaction. A product price that is provided at reduced prices and discount are an attraction for customers. Therefore, a customer is likely to be most loyal to the business with a price that matches their expectations. As the price matches their expectations they will repurchase to be satisfied. (Zakaria et al., 2014).

According to Quester, Neal, Pettigrew, Grimmer, Davis and Hawkins (2007), offering short-term price reductions have a greater range of price comparison options to consider. Customers that can quickly access a range of social networking are increasingly being used to share information. In addition, smaller retailers are taking advantage of this social networking approach to attract new customers and gain repeat purchasing (Quester et al., 2007).

## 2.5. Product

Frank, Torrico, Enkawa and Schvaneveldt (2014) identified a four-stage model as a stable product strategy. There is product quality, product beliefs, customer satisfaction and customer loyalty. New knowledge of the product design and marketing research can provide long-term profit from customer satisfaction. Product quality directly affects customer satisfaction (Frank et al., 2014).

Lowenstein (1995) identified that when a customer comes in contact with business's products, there might be scores of individual characteristics included. As an example, several dimensions of performance can be offered in fast food restaurants. In addition, "customers can be influenced by evolutionary market and product situations" (Lowenstein, 1995, p. 28). Therefore, a company must identify customer expectations at the particular time of service and food provision.

Quester, Neal, Pettigrew, Grimmer, Davis and Hawkins (2007) identified that brand loyalty is affected by the value of the product, benefits of product usage, and product diversification. Some products have a high degree of loyalty with their users. Also, Loyal customers demonstrate higher levels of satisfaction than nonloyal customers.

## 2.6. Research Aim and Scope

Most small businesses such as coffee shops are concerned with customer loyalty and how to increase their profit and customer satisfaction.

The aim of this research is to identify successful sales that affect customer loyalty in a small coffee shop and investigate the relationships between effective marketing strategies and customer loyalty. Moreover, for enhancing the profit base on the customer loyalty programs, the finding of this research can help planning and control for future marketing directions. The aim of this research will follow these hypotheses:

1. High Service quality has a positive influence on customer loyalty.
2. High Product quality has a positive impact on customer loyalty.
3. Success promotion strategy has a positive effect on customer loyalty.

Four factors that affect customer loyalty are to be investigated Customer satisfaction demonstrates the result of service quality and product quality delivery. Promotion and Price Strategies concentrates on high quality

communication effectively with the customers. The area that will cover in investigation involves: Service quality, Product quality, Promotion and Price strategies.

The scope of themes:

- Promotion: Gift Voucher, Social Media, Price Promotion and loyalty Card
- Service Quality: Service speed, staff attitude, appearance of staff and Air Conditioning (Facilities)
- Product quality: Fresh ingredient, tasted and coffee quality.
- Price: suitable, reasonable and acceptable price and special price.

## 3. Method

Gathering primary information in this research will be achieved using customer survey of a questionnaire. The combination of qualitative and quantitative research methods will be used to help the new coffee business identify more sales and marketing strategies that can maintain customer loyalty. The research seeks 50 customer responses from the cafe.

### 3.1. Data

Qualitative method: The responses from the qualitative questions would be used to investigate that the customer's experience in the café and understand the satisfaction of the customer regarding certain products and services offered. These result from the qualitative research could then improve the marketing strategies and sales performance for match of the needs of the customers.

Quantitative method: The quantitative data from the questionnaire would be used to collect data from the customers. Customers will be asked to rate their satisfaction on a Likert-Type Scale.

### 3.2. Limitations and Ethical Issues

The questionnaire in this research may have a question related to the participants' age and most questions will ask for their personal experience. The questionnaire will not ask the real name of all participants. The researcher has to complete an ethics application and receive ethics approval. Furthermore, a researcher must send participant consent form to participants and must be honest to each participant that the usage of data will be used

for the project study and the café will receive a copy to improve the marketing strategies.

The limitations of the questionnaire are that the participants might be limited to express their personal opinions because many questions in survey are close-ended questions. Also, the sample size might be small. "The main limitation of qualitative approaches is that their findings cannot be extended to wider populations" (Atieno, 2009). The participants may not complete the questionnaire. The results of this study will apply specifically to this café.

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# Rating System in Food Delivery

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## Abstract

A small business in food delivery has much competition. The organisation delivers food in food trucks at local markets. The aim of this research is to examine how a rating system will impact on the quality of goods and services and customer satisfaction levels. This research will accomplish the aim in three steps: examine the current state of food trucks, investigate the potential of a rating system, and identify further avenues to use rating systems efficiently. A survey of customers will be used to gather quantitative data and an interview to gather qualitative data.

*Keywords: Restaurant, Food, Rating*

*JEL Classifications: L66*

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# 1. Organisational Context

## 1.1. Internal Analysis

The business chosen for study is in hospitality and sends food trucks to various events. More than 60 food trucks are contracted to send food to community, corporate and family events. The staff consists of the general event manager, executive event manager, design and research advisor, and an administrator.



## 1.2. Situational Analysis

### Location

This business is located at the house of the general event manager and meetings are usually hosted in neutral places. The main event manager is based in a Waikato town and the business is focused on the Waikato region.

### History

The business began less than 12 months prior to this research.

### Competition

Friday and Saturday night markets have previously been organised from Auckland and hosted in Hamilton. The night markets are at the Base in Hamilton on Friday and K-mart in Hamilton on Saturday.

### Significant Issue

Conflict arising from local businesses against food truck vendors.

### SWOT

#### Strengths

Convenience is the biggest advantage of food trucks.

- Anywhere & Anytime
- Diversity of food
- Low cost
- Fast service

### Weaknesses

Factors related to weakness are problems that food trucks have. For growing of food truck business, resolving those problems are the significant issues that food truck business bump into.

- Inconsistent income
- Non-eco-friendly
- Seating arrangements

### Opportunities

Since food trucks are a new type of food business, opportunities are focused on :

- Schedule maintenance
- More events – more opportunity
- Creative ideas

### Threats

Threats of food truck business are all different, however, they could be opportunity if people of food truck business take it positively.

- Consistency
- More competition
- Changing food regulations
- Weather

### PESTEL

This analysis discusses external factors on the business regarding general food truck business of political, economic, social, technological, environmental and legal.

- Political: Argument between local business and food trucks.
- Economical: Low set up cost.
- Social: Busy life style and social activities.
- Technological: Efficiency
- Environmental: Lack of sustainability because of using disposable packages.
- Legal: Each city has different regulations.

## 2. Review

Food trucks are small restaurants rather than just food carts. Food trucks have become a main resource at events, especially community events like farmers' markets, where having a meal from a food truck could be a reason for visiting the event. This literature review will begin with food health and safety. The review starts with general food safety because food trucks are no longer just street food or

fast food but also small restaurants that serve qualified foods.

## 2.1 Food Health & Safety

Food health and safety is a major consideration. If regulation of food health and safety has not been observed, customers will be exposed to harm from food poisoning. More than 500 New Zealanders get food poisoning every day. This can be unpleasant, often causing nausea, vomiting, diarrhea and stomach cramps (NZ Nutrition Foundation, 2013, para.2). Especially in events, food health and safety is the key issue for participants. That is why knowledge of basic food health and safety requirements is absolutely necessary for all event staff. Most events involve bulk food and the risks associated with food health and safety are particularly significant for those staged at venues (Van der Wagen & White, 2010, p.287).

New Zealand applies the Food Act 2014 to manage food health and safety. This Food Act gives food businesses the tools to manage food health and safety themselves, based on the level of risk associated with the kinds of activity undertaken and in a way that suits their business. This law allows businesses to be more adaptable to future changes in technology, overseas market access requirements and consumer demands (Ministry for Primary Industries, 2014). For registering a food business in the Waikato, participants need to complete two application forms basically: application for registration of a food business, and scope of operations. The Application for registration of a food business form includes descriptions of the business., while the Scope of operations form contains information that is more focused on foods. This form includes:

- The sector(s) a food business operates under the Food Act 2014.
- What products a food business makes and/or sells.
- How products are sourced and/or supplied.
- How products are processed, if applicable, and
- How products are sold (Ministry for Primary Industries, 2016b).

The Scope of operation form makes it possible to consider very specifically every factor of food health and safety in business, including location, main ingredients of food, way to store, types of food, manufacture, and distributor.. Also, this shows that how much New Zealand government

investigate food safety and health well and make consumers trust foods they purchase.

## 2.2 Waikato Farmers' Market

The Waikato Farmers' Market is an outdoor event where stallholders sell locally produced foods directly to customers. The Market has specific regulations about the event:

- Local: All stallholders produce their goods within a 100km radius around Hamilton. This ensures that this event supports the local economy and that all produce is fresh. It also reduces the environmental impact caused by the shipping of goods.
- Food Only: This event distinguishes between primary (anything that has been grown by the stallholder) and value-added products (produced by the stallholder from primary ingredients).
- Local Produce for Local Products
- No On-Selling
- Food Safety: All stallholders are required to obtain their own food safety permits from their respective council (Waikato Farmers' Markets, n.d., para.4).

These basic regulations show that this event puts much effort into supporting the sale of local products, and help customers trust the products they buy.

In addition, all stallholders must trade in accordance with the Food Hygiene Regulations 1974 or The Food Act 2014. Requirements are monitored by the Hamilton City Council / Waipa District Council. The Administrator can assist with queries during the application process and is responsible for liaison with the Environmental Health Officer who audits the market.

- The Hamilton and Cambridge Farmers' Markets are Licensed Food Premises.
- Perishable items must not be displayed in direct sunlight.
- Smoking by stallholders is not permitted within the confines of the market.
- Animals are not permitted at food stalls or in vehicles used to transport food to the market.
- All food other than fruit and vegetables must be prepared and pre- wrapped in a registered premise. No home preparation is allowed. A copy of the current registration certificate for the premises where the food is prepared must be attached to your application. Processed food must remain in its pre-market packaging while on display.

- All meat and fish must be kept at or below 2°C when being transported to the market and displayed for sale.
- Shellfish in shells must be kept at or below 10°C.
- All cheese must be made and pre-wrapped on registered or approved premises and must be stored below 10°C.
- Stallholders selling readily perishable food must have a thermometer and be able to demonstrate storage and display temperatures are within the correct zone.
- Food must be displayed at least 45cm off the ground.
- Food that is prepared/cooked at the market must be in accordance with an approved plan under the Food Act (2014).
- All stallholders selling eggs must have an RMP (Waikato Farmers' Markets, 2017, Page.5).

food. But now food trucks are small restaurants that sell qualified food, rather than just being food carts. These days, more than 2 billion people eat food from a food truck every day.

#### Potential of the food truck business

Food trucks have developed a cult-like following in some cities, with many developing a huge following via Facebook and Twitter. Reviews on sites have helped fuel interest. Established restaurants are launching food truck operations to expand their brand, and mobile chefs are opening casual-dining locations (Miller, 2014, p.211-214). Food trucks, once thought by some to be a fad, have become a popular and economical option for serving gourmet eats at both public and private events. From a restaurant's perspective, the food truck also offers an opportunity to broaden its appeal. Some chef-driven eateries with food trucks view them as an opportunity to present creative quick-serve interpretations of their bricks-and-mortar cuisine, which attracts new diners (Ames, 2014, issue 21)

## 2.3 Food Trucks

### History of food trucks

Food trucks are one of main resource of providing foods in event. Some food trucks are selling frozen or pre-packaged food and others are preparing food with their on-board kitchen in truck. Food trucks originated in America. It was during the 1600's in the buzzing metropolis of New Amsterdam (New York City) that push carts started being regulated. It was an attractive operation for those who had made the big move and were looking for work, so the popularity of these carts grew across America. They grew past the streets of the Big Apple and into the depths of Western America. And that's where The Chuck Wagon made its big debut (Foodspace, n.d., para. 2).

The Chuck Wagon was created by Charles Goodnight in 1866. The idea was to cater to the cowboys driving cattle in parts of the country without railroads. These were food trucks for convenience, rather than to impress a date or make your Instagram look delicious. The menu consisted of easy to preserve items like salted beef and bacon, and there was some work to be done before they parked up at Coachella, that's for sure. The Chuck Wagon was the truck that started the revolution, a revolution that went swiftly from salted meats to the first hotdog cart in 1936; The Weinermobile. The Wienermobile fed university students, busy NYC bosses and everyone in between. And that's when it spread, past the USA and across the globe to Europe, New Zealand and everywhere in between (Foodspace, n.d., para. 2). As mentioned above, food trucks started with fruits and easy-preserved

### Food trucks in New Zealand

The mobile food trend is exploding in New Zealand. The popularity of mobile food vehicles is set to increase, so some councils are placing restrictions on a mobile food vendor's time spent in one location, to protect local business interests; when the time is up, the vendor must roll on to another spot (ArchitectureNow, 2014, para. 15). A recent standoff between cafe owners and mobile food vendors in Miramar came about after some businesses perceived operators would cut into their market. It is understood the perceived threat did not eventuate (Stuff, 2016, para.1).

## 2.4 Compliance

Every owner of food truck needs a food control plan, the same as people who run a restaurant in one location. They need to register their plan with the council where they live and where their business is registered. As a mobile business, they are free to operate their food truck in other locations under this registration (Ministry for Primary Industries, 2017a, para. 10). A food control plan is a written plan that higher risk food businesses need to use (Ministry for Primary Industries, 2016a). People who want to run a food truck need to complete this plan in four steps:

- ① Create: Create template FCP (a food control plan) by completing the forms. There are two versions of template. One is the 'Simply safe

and suitable template' and the other is the 'Food control plan: food service and food retail'

- ② Register plan: Almost all FCP businesses will register with their local council. Multi-site food businesses have a choice between registering each place separately with each local council and registering them all together with MPI.
- ③ Get checked: A professional verifier will visit the business to check vendors are selling safe and suitable food. The verifier will check they are following the food control plan effectively and keeping all the records they need.
- ④ Ongoing use of plan: Once owners have a plan in place and have registered, they must follow the plan to make safe food and complete the relevant sections of the diary every day. Also, they have a responsibility to renew their registration with the local council or MPI every year (Ministry for Primary Industries, 2017b).

For example, food truck owners must register with Waipa District Council when using premises of the council. Also, the certificate will be issued only when an inspection from an Environmental Health Officer confirms that the premise complies with the Food Hygiene Regulations 1975 and the Food Act 1981. Once a food premise is registered, a certificate of registration will be supplied and must be openly displayed in a public place (Waipa District Council, 2017, para. 3).

foods. Food truck regulation of Christchurch has very specific information regarding temperature.

Wellington City Council has fewer regulations than Christchurch.

- All surfaces such as floors, walls, ceiling, shelving, benches (where provided), must be smooth, impervious and easily cleanable.
- Ventilation is provided to maintain comfortable conditions for people working in the truck, to prevent condensations and remove objectionable odours.
- Sufficient space must be provided for all those working in the truck and to allow access for effective cleaning.
- Sink and hand wash basins are to be provided with a supply of hot water that will allow effective cleaning and handwashing throughout the period that the mobile vehicle is being operated.
- Wastewater must be drained to a holding tank of sufficient capacity and then disposed of into the sewerage system or through a sink attached to a grease trap.
- If you have a lack of space to prepare food, you may use an alternative preparation kitchen. Please ensure that the preparation kitchen you intend to use is covered by your registration (Wellington City Council, n.d., para. 4).

This seems to show that Wellington City Council is more concerned about food safety inside the truck than other conditions. For running a food truck, it seems important to fulfill council requirements of the specific city.

### 3. Aim and Scope

The aim of this research proposal is to examine how a rating system will impact on the quality of goods and services and customer satisfaction levels. This research will accomplish the aim in three steps: examine the current state of food trucks, investigate the potential of a rating system, and identify further opportunities to use rating systems efficiently.

### 4. Method

To accomplish this research, mixed methods of primary research will be used. A survey will be used for food truck customers as a quantitative

## 2.5 Regulation of Food Trucks

Food trucks are increasing in popularity and have become important features at many festivals and markets. Food trucks can pose a higher risk to consumers than other cafes and restaurants due to their relative lack of facilities and small working space which may potentially lead to cross contamination (Wellington City Council, n.d.). Regulation of food trucks are all different depending on the council. Two examples of regulations are given:

In Christchurch City Council, the requirements of the Food Hygiene Regulations are divided into five parts:

- Display and Service
- Storing
- Labelling of food
- Personal hygiene-hand washing
- Food safety (Christchurch City Council, n.d.).

Display and service and storing are mostly focused on temperature and display of high risk

method and an interview will be used for a food truck organisation as qualitative method.

#### 4.1. Quantitative Data

For quantitative method research, a paper and online survey will be used. Minimum 31 to maximum 60 people will attend this survey. Target people will be any people who have experiences having food from food trucks or not. Survey will be mostly held near marketplaces and Hamilton centre place with paper survey and on social media with online survey (Appendix A).

#### 4.2. Qualitative Data

For qualitative method research, a semi-structured interview and open-ended questionnaires will be used through face to face interviews. The target of the interview will be the person who runs a similar food truck. The interview will be held in a neutral venue in Hamilton Centre Place and will take approximately 30 minutes to complete (Appendix B).

#### 4.3. Limitations and Ethical Issues

The participants of this research will give their input voluntarily through interview or survey.

- Participants will not be pressured to attend either interview or survey.
- Participants have the right to contradict.
- The researcher will not share the information of participants or the results of research.
- The outcome of the survey or interview will not be distributed to other people and will be shredded after research.
- Participants for this research will be fully instructed about Questionnaire Information, Interview Information and will sign a Consent Form.

The limitations of this research includes:

- Sample size: Small number of staff members interviewed.
- Time: Busy market during survey
- Participants may need additional information about the rating system.
- Incomplete responses: There are some questions requiring a specific opinion and if participants do not want to write a long answer, these questions may not be responded to.
- Late responses:.
- Comment section: Some participants could be illiterate.

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## 6. Appendix A

### Survey Questions

1. Do you have any experience of eating from food trucks?

- ① Yes (Please go to question 2)
- ② No (Please go to question 4)

2. If you answered 'YES' on question 1, how often do you eat from food trucks?

- ① More than once a week
- ② Weekly
- ③ Every other week
- ④ Monthly
- ⑤ Only Occasionally

3. If you answered 'YES' on question 1, what do you consider the most when you choose food from food trucks?

- ① Taste of food
- ② Types of food
- ③ Cleanliness of food truck
- ④ Price of food
- ⑤ Other (please specify)

4. If you answered 'NO' on question 1, why do not have any experience(s)?

- ① Thought about it but not yet
- ② Worrying about cleanliness of food truck
- ③ Do not like taste
- ④ No interest
- ⑤ Other (please specify)

5. Have you hesitated to buy food from a food

truck?

- ① Yes (Please go to question 6)
- ② No (Please go to question 7)

6. If you answered 'YES' on question 5, why is that?

- ① Worrying about cleanliness of food truck
- ② Not sure about taste of food
- ③ Too expensive
- ④ Not kind vendor
- ⑤ Other (please specify)

7. If there was a rating system for food trucks, would you want to know the rating before you decided to eat? (A rating system is a system that rates food trucks from A to E by food safety, taste, proper price etc.)

- ① Yes, I want to know (Please go to question 9)
- ② No, I do not want to know (Please go to question 8)
- ③ Other (please specify)

8. If you answered 'NO, I DO NOT WANT TO KNOW' on question 7, could you explain why? (please specify)

9. If you can see a rating of food trucks, will you trust food from a food truck better than

when you do not know?

- ① Yes, I will (Please go to question 10)
- ② No, I won't (Please go to question 11)

10. If you answered **'YES, I WILL'** on question **9**, could you explain why? (*please specify*)

11. If you answered **'NO, I WON'T'** on question **9**, could you explain why? (*please specify*)

## **7 Appendix B**

### Interview Questions

1. Is there any rating system for food trucks?  
(If yes, explain)
2. Do you think rating system is (will be) beneficial? (explain why)
3. What kind of factors do you have (want to add) for deciding rating?
4. What kind of benefit do you expect from this rating system?
5. What kind of disadvantage do you think rating system has (will have)?
6. About showing off this rating to customers, what do you think?
7. Would you like to show off ratings for your customers? (explain why)

# Gaining a Competitive Advantage in the Healthy Fast Food Industry

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## Abstract

A small business providing food delivery of sushi is in a highly competitive market. The aim of the research is to analyse competitors in the healthy fast food industry and identify a competitive advantage. The research will focus on two major aspects; firstly a critical analysis of the external environment with deep investigation of the competitive situation and what strategy competitors are currently using in the whole healthy fast food industry. The second aspect is to identify how the sushi business can differentiate its product from others by taking full advantage of relevant capabilities and resources in the business. To achieve this aim, two main questions will be addressed, namely: What strategies are competitors using to attract more customers in the healthy fast food industry in Hamilton, and how can the sushi business differentiate product and service from competitors to gain strong competitive advantage? Customers will be surveyed to identify market requirements and interviews will be undertaken with those in the organisation to determine the business resources.

*Keywords: Strategy, Restaurant, Service*

*JEL Classifications: L10*

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# 1. Introduction

## 1.1. Internal Analysis

The sushi retailer is recognised as one of the most popular sushi shops and a favourite in Hamilton. The organisation has been operating for many years and built up a strong brand image and reputation in the local community. A wide range of sushi from vegetarian to different kinds of seafood and meat can be considered as the core product of this business. In addition the business is well able to provide other set meals such as rice to further meet the needs and preference of customers. Furthermore, the major purpose of this business is to create maximum profit and gain more customer loyalty by providing healthy and high-quality sushi and superior customer service.

## 1.2. Organisational Structure

This is a small business so the structure is simple, consisting of the business owner, a manager, and a few employees. (See Appendix A). The business owner is the main chef in the business and is also responsible for the business's financial management, including payment of salary to employees, purchase of raw materials, and signing contracts with the bank and suppliers. The General Manager is responsible for marketing and management, including the operation and marketing of the whole business, managing and monitoring staff working performances, and human resource management including recruitment and training of employees. The cashier mainly focuses on counting and collecting money, and the daily work of other employees includes making sushi, dish washing, cleaning the shop, and interacting with customers. Although the business structure is simple, everyone in the business has a strong sense of responsibility resulting in the business running well all the time.

## 1.3. SWOT Analysis

It is extremely important to identify the basic competencies and advantages of the business in order to constantly develop its competitive advantage as well as to identify the weakness and potential opportunities that can assist the business to improve continuously. The SWOT analysis regarding the business is shown below:

Strengths:

Strong management strategies with a clear mission and vision statement.

Operation and production efficiency.

Strong level of operating experience and knowledge in the relevant healthy fast food marketing environment.

Strong growth and brand image.

Good reputation among the local community.

High quality and healthy food without MSG.

Special-made chicken as unique selling points

A wide range of food options compared with competitors.

Superior customer service.

A large number of loyal customers.

Extra benefit (free soup and tea) to fulfil customers' wants.

Relatively low prices.

Geographical advantage, being located in a central zone.

Use of fresh, seasonal ingredients, and searching and developing new items for the menu. Providing balanced tasty and nutritious meals in addition to healthy and tasty sushi.

Local chefs are consulted to exchange information to keep up to date with trends.

Weaknesses:

Low level of innovation.

Low level of marketing promotion strategies (Advertising).

Limited amount of suppliers or retailers.

Low efficiency during busy lunch time due to only one chef.

Small amount of outdated and inefficient equipment.

Small size and scale of the shop.

No WIFI setting.

Opportunities:

Update the current menu by introducing a series of new special set meals.

Improve the overall dining environment by refitting the shop.

Expand the scale of the shop.

Build up networks with more suppliers or retailers.

Develop one or two branches across Hamilton.

Threats:

Competition from other sushi shops close by. Imitation (Increased new entrants to the industry).

Rivalry among businesses in the industry.

#### 1.4. *Situational Analysis*

##### Competitors' analysis

A number of competitors who provide similar product and customer service, including:  
 Located closeby with similar core product, nearest competitor just next door - rice as core product, another sushi shop near with core product is sushi as well as dumpling as that shop's unique selling point, competitor five-minute distance with salmon as major and popular unique selling point.

##### PESTEL Analysis

##### Social/Cultural/Demographic forces

These forces are constantly affecting the way New Zealanders live, work, consume and produce. The social factors which may influence the healthy fast food industry in Hamilton can be represented in several aspects such as the lifestyle of people, working schedules, social behavior, perception and attitude towards healthy fast food, and health and environment concerns. For example, a majority of people are becoming aware of their health, leading them to choose healthy sushi without MSG rather than fast food or junk food. "Previous studies have found that consumer willingness to purchase food is associated with concerns about health, food safety and with growing environmental awareness, such as organic food" (Akhondan & Rabolt, 2015).

##### Political/Legal Forces

This refers to the relevant laws and regulations published by the government. "Although agriculture and the food industry have growth potential, they also face great uncertainties due to past and projected changes in public policy interventions affecting or likely to affect the sectors". (Boysen & Matthews, 2016, p. 105). For example, the city council needs to check every business's standard of cleanliness regularly. Also, the government needs to check the ingredients and quality of food to make sure the business conforms to the required standard of food safety, as well as imposing relevant consumer guarantee law, tax law, employee and labour law, and environmental protection law to ensure the business operates legally.

A series of laws in New Zealand relating to the healthy fast food industry are as follows:

Food Act 1981 (in transition) or 2014 (current)

Animal Products Act 1999

Agricultural Compounds and Veterinary Medicines Act 1997

Wine Act 2003.

Consumer Guarantees Act 1993

Employment Relations Act 2000

Environment Act 1986

##### Economic forces

Economic forces have a direct impact on the customers. Several relevant economic factors including unemployment trends, tax rates, the availability of credit and consumption patterns influence the healthy fast food industry. For example, increasing unemployment and tax rates, may influence customer spending negatively..

##### Natural/Environmental forces

Natural forces such as natural disaster, climate change, water pollution, environmental change, seasonal change or weather may affect the operation of the business. For example, on rainy days or during winter fewer customers are interested in going out to purchase sushi.

##### Technological forces

Some businesses in the healthy fast food industry are tightly linked to advanced technological development. Websites and social media are useful for marketing. Much advertising activity, allowing the business to use Facebook to have more positive connections and interactions with its social community. In addition, customers can give feedback and share experiences through this platform, thus helping the business to build positive brand value and reputation constantly. (See the appendix, Figure 2)

#### 1.5. *Aim and Scope*

The aim of the research is to analyse competitors in the healthy fast food industry and identify competitive advantage. The research will focus on two major aspects; firstly, a critical analysis of the external environment with deep investigation of the competitive situation and current competitor strategies in the whole healthy fast food industry based on Porter's five forces and PESTEL analysis. This will provide a necessary foundation for the second aspect of the research, which asks how the sushi business can differentiate its products and services using relevant capabilities and resources to create strong competitive advantage in terms of value chain analysis and VRIO analysis. Also, to

achieve this aim, two main questions are addressed:

What strategy are competitors using to attract more customers in the healthy fast food industry in Hamilton?

How can sushi business differentiate products and services from competitors to gain strong competitive advantage?

Five major areas are going to be investigated:

- The healthy fast food industry
- PESTEL Analysis
- Porter's five forces Analysis
- Value Chain Analysis
- VRIO analysis

## 2. Literature Review

### 2.1. PESTEL Analysis

Gregoric (2014) points out that key segments of the environment in the context of how a company operates, are associated with the elements of PESTEL analysis, namely natural environment, technological environment, political environment, economic environment and legal environment, cultural environment and demographic environment.

Johnson and Scholes (2002) define PESTEL analysis as an approach to analysing the factors affecting companies in the macro indicators. Political factors refer to the tax policy, trade regulation and welfare of the community. Economic factors include GDP trends, interest rates, inflation and unemployment. Socio-cultural factors involve demographic indicators, income distribution, social mobility, changes in lifestyle, social behaviour, attitudes toward work and leisure, and educational level. Technological factors relate to government efforts on technological improvements, new discoveries and development, and the level of technology transfer. Ecological factors include legislation on environmental protection, waste reduction and energy consumption. Legal factors refer to employment law, consumer guarantee law and product safety.

### 2.2. Porter's Five Forces

Felsmann (2016) states that in his book on competitive strategy, Porter emphasised that forces outside the mega marketing environment influence all competing companies and the main point is to be found in the distinct abilities and capabilities of firms

to deal with them. Porter (1979) points out that government subsidies can be regarded as an entry barrier because they favour established companies over potential new entrants. This means government policies can directly influence the intensity of competition. The author also indicates that unique, difficult to imitate resources play an important role in business's strategic positioning and economic performance, "An entry barrier without a resources position barrier leaves the firm vulnerable to diversified entrants, whereas a resources position barrier without an entry barrier leaves the firm unable to exploit the barrier".

Fitzpatrick et al. (2015) emphasise that competitive advantage is represented by a final integration of Porter's five competitive forces model. The authors believe that firms who apply such a model can effectively improve their general business performance and productivity within a mega marketing environment. Figure 3 (appendix) clearly incorporates Porter's (1979) Five Competitive Forces, including buyer power, supplier power, barriers to new entrants, rivalry of industry and substitutes/complements.

Koo et al. (2004) state that Porter's (1985) framework for competitive strategy is one of the most widely accepted business planning models. Porter (1985) further pointed out that to get a higher level of business performance and succeed in business, the business needs to adopt one or more of three generic competitive strategies, namely cost leadership, differentiation and market focus.

#### Cost leadership:

The business can gain a cost advantage with economic scale or a superior level of manufacturing processes. Generally, larger firms with greater access to resources are more likely to apply and make use of cost-based product strategies but smaller firms are normally forced to pursue highly differentiated products and services in a particular industry. With a cost-based strategy, the business is able to improve its competitive position by lowering its production and marketing costs as a result of a lower cost structure, and can improve profitability and market share accordingly.

#### Differentiation

With a differentiation strategy, the business attempts to be unique in the way it offers products and services in order to be valued by customers. The business is constantly driven to differentiate products and services from other competitors which further means always providing unique and innovative products and services with creative

marketing insight to create superior value to customers and gain more customer loyalty.

#### Market focus

With a market focus strategy, the business mainly concentrates its effort on a specific market segment rather than competing broadly in the marketplace. This strategy is normally appropriate for a small business with limited resources, allowing them to compete with larger business and positioning themselves in the market based on other strategic strengths.

Van (2010) points out that two aspects based on Porter's five forces namely resources-based view and total quality management play an important role in identifying competitive advantage. The author emphasises that a competitive advantage can be achieved by developing valuable resources and capabilities in terms of the resource-based view. In an intense competitive marketing environment, unique resources and capabilities provide an opportunity to build up competitive advantage, within the requirement of certain conditions.

Furthermore, the evaluation of internal and external environment factors is necessary for the deployment of resources. Internal factors refer to strengths and weakness that come from the management and employees, equipment and operating systems within the firm, while external factors are those opportunities and threats outside the firm such as new legislation and environmental factors. Also, total quality management (TQM) is another way to enhance quality and value by focusing on customers to gain strong competitive advantage. This is influenced by three basic factors: open culture, employee empowerment and executive commitment. The author indicates that the advantages of TQM are improved products and services, more satisfied customers, and improved profitability. In addition TQM provides a clear understanding of expectations and standards and helps the company focus on how to better serve the customer through a search for excellence in every aspect of the operation.

Tavitiyamani (2011) indicates that Porter provides a framework to gain a better and clearer understanding of a particular industry by analyzing the supplier's bargaining power, customer's bargaining power, rivalry among existing firms, threat of new market entrants and threat of substitute products.

#### Rivalry among existing firms

The author emphasises that intense rivalry is influenced by a number of factors which include a large number of equally balanced competitors, slow

industry growth, high fixed costs, lack of differentiation and diverse competitors.

#### New market entrants

The threat of new market entrants relates to the prospect of new competitors entering the particular industry. The most common barriers to entry are determined by brand equity, government, economies of scale, product differentiation, access to distribution channels, capital requirements and switching costs.

#### Bargaining power from customers

This refers to the ability of customers to force down prices, and bargain for higher quality products and services. Bargaining power is hugely affected by the number and concentration of customers, which relates to the volume of buying from customers. The research stated that one of the major driving changes in the marketing environment is customers. The higher the volume of product buying, and the cheaper the price the stronger level of bargaining power customers will have. Therefore, the majority of businesses in the mega marketing environment commit to reducing customers' power by creating loyalty programs that provide more benefits and rewards with customers to gain repeat purchase and by differentiating products and services from competitors.

### 2.3. Value Chain Analysis

Popescu and Dascalu (2011) state that value chain analysis refers to a systematic model to determine the key competencies and activities of the business that drive competitive advantage. The important point for each business is: the business must perform an activity better than competitors or perform an activity that creates value which competitors cannot match. The authors also indicate that value chain concept can be considered as a management concept and describe a company as a conglomerate of tasks which can be divided into primary tasks (Inbound Logistics-Operation-Outbound- Logistics-Managing and Sales-Services) and supportive tasks (Infrastructure-Human Resource Management-Technology Development-Purchasing). The main purpose of value chain analysis is to determine the activities that add value for the customer in comparison to the competition.

A value chain analysis is associated with identifying upgrading which refers to improvements in quality and product design that enable producers to gain intensive value or

through diversification in the product process served. The value chain analysis includes the range of activities performed within the business from the beginning of raw materials and moves to produce a certain output and the end of customer servicing. Each of these activities should be examined by competitors' abilities and rated as superior, equivalent or inferior (Rosales, 2017).

Groomes and Adams (2013) stated that Porter described value chains as creating and sustaining superior performance and emphasised that competitive advantage stems from many activities a firm performs in designing, producing, marketing, delivering and supporting its product in order to achieve superior efficiency, quality, innovation and customer responsiveness. He pointed out that value chain is a tool to evaluate an organization's activities and how those activities interact, and he identified value chain analysis as a useful method for critical thinking through ways in which a firm delivers value to its customers. Porter (1985) explained that "a value chain separates an organization into strategically relevant activities"(p. 33) that are probably distinct from departmental structures, and that an organization creates a competitive advantage by performing activities cheaper or better than the competition.

Bloom (2011) emphasises two key elements to the value chain framework: differentiation and value-added, creating partnership. On the basis of consumer demand and preferences, various product and process-based characteristics are recognised as the differentiation of food products. Such characteristics are closely associated with consumers' health and environmental concerns, (e.g. organic or sustainably grown). Producers who can take full advantage of the special skills for creating these differentiated products may have a strong competitive advantage in the marketing environment. On the other hand, treating producers and food suppliers as partners is an important part of the value chain system, and increased overall efficiency and profitability are accomplished based on active cooperation of the supplier, which involves sharing information and problem solving.

#### 2.4. VRIO Analysis

Akhondan et al. (2015) indicate that VRIO analysis is related to resource based theory which states that the points of a company's competitiveness are conditioned by the combination of its resource and capabilities. It can be said that survival and growth are closely

associated with those companies who can identify and use their resources and capabilities to constantly search for their optimal combination.

The application of the VRIO framework should provide an answer to the question: can the company's resources, including human resources, be considered as a strength or weakness? (Barney & Wright, 2009).

The authors further explain that VRIO covers several aspects of resource analysis:

**Value:** Is the resource valuable based on reducing the threats and exploring the opportunities from the external environment?

**Rarity:** Is the resource rarely present among existing and potential competitors?

**Inimitability:** Is the resource unique, different or impossible to imitate?

**Organisation:** Is the resource currently used by the company or is the company organised in a specific way that allows efficient usage of the resource?

### 3. Method

The researcher intends to use a combination of qualitative and quantitative methods.

With regard to the quantitative analysis method, a questionnaire will be used to gather the substantial statistics and data relating to the demographic characteristics of customers, as well as information about the frequency and duration of customers' visits to the shop in order to understand what kind of customers are more interested in the consumption of sushi.

Even though a statistical and overall overview of customers can be gained from a quantitative analysis, more specific opinions and thoughts are needed, so a qualitative analysis is also necessary. An interview will be used to provide more explicit reasons, understanding and perceptions in relation to the aim and question of the research.

#### 3.1. Questionnaire

Advantages of a questionnaire include lower cost, a wide range of geographical coverage, faster completion and anonymity.

Up to 50 customers will be asked to complete the questionnaire. The sample size is only 50 due to limitations of time and budget which indicates that each extra participant add the cost and time of the

research, so this can be recognized as one major drawback of the questionnaire due to the smaller sample size may further result in the research lack a certain degree of generalisation and validity.

The participants will be chosen randomly, rather than those people who volunteer or are friends with the researcher. The major demographic characteristics are not required as this is included in the analysis of research. Also, other basic characteristics of participants are needed like they should be literate and have normal vision in order to be able to complete the questionnaire without any barriers.

The researcher is going to conduct the questionnaire process by either distribute them or send them through email to customers depend on the preference of customers.

### 3.2. *Interview*

Two main advantages of the interview are greater motivation of respondents to answer and a higher response rate than with quantitative surveys.

The researcher will interview the General Manager and a long time working staff member because they have. The reason for choosing these two people is that both of them gain a better understanding of the internal environment and the whole industry environment that outside the sushi business whose suggestions would be considerably important to contribute to the research aim and question. The interview with the general manager will focus on the strategies of competitors using the whole healthy fast food industry and on competitive advantage, while the interview with the employee focuses on how to improve service and products to differentiate from competitors.

The location for the interview will take place at the shop due to interviewees working in that shop. The specific date set down will depend on the mutually convenient and available time for respondent and interviewer, as well as the information sheet and consent form will be provided and signed before the interview.

### 3.3. *Procedure*

Print questionnaire and identify the target participants for completing the questionnaire.

Distribute or email the questionnaire to participants after gaining the consent from them.

Identify participants for the process of interview and find specific contact details such as email or phone number of them.

Contact specific interview participants ask them whether they are willing to accept the interview and set down the available date for interview

Start to collect the questionnaire and give a kind reminder for specific participants who forget to finish the questionnaire on time.

Collect questionnaire finally and finish the interview.

Clean the data and analyse the results of data collection using Excel.

Discuss the ultimate findings and come to a conclusion.

### 3.4. *Ethical Issues and Limitations*

#### Informed Consent

Regarding the participants of interviews, a relevant information sheet will be provided and a consent form will be signed before the interview, and the researcher will make sure the participants are informed of the purpose of the interview and the given relevant information.

#### The Participant

Both the questionnaire and interview should be conducted at participants' available time, and the researcher should thank participants appropriately.

Each participant will be advised of their rights to stop or withdraw their answers in the course of the questionnaire or interview at any time.

#### Confidentiality and data protection

All questionnaires are anonymous and none of the participants' confidential information will be exposed, participants' privacy needs to be guaranteed.

#### Disposal of data

Participants will be informed that the results from the research will be only seen by the academic supervisor from Wintec and all results collected will be returned to the Centre for Business on completion of the research project.

#### Lack of generalisation (Limited sample size)

The researcher only focuses on a small number of participants due to budget and time constraints, which may lead to the research lacking generalisation to some extent and not strongly reflecting the general opinion and interest of the public.

#### Lack of accuracy and reliability

The researcher cannot guarantee participants take the questionnaire seriously, as well as carefully

answer each question based on their real experience or authentic thought. In other words, some uncertain and uncontrollable elements may arise from participants. Thus, the answers from respondents may lack validity and reliability to a certain degree.

#### Limited time

The researcher needs to complete the research project within a few months, so time can be considered as one imitation of conducting the research.

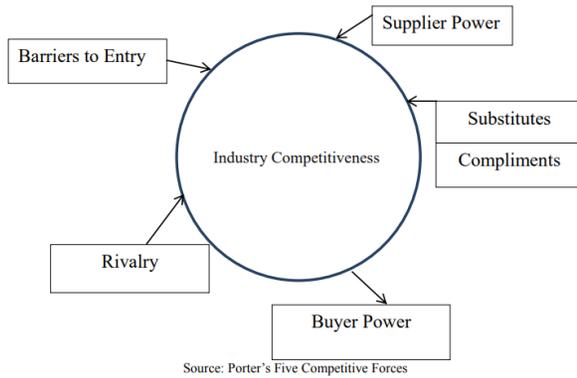
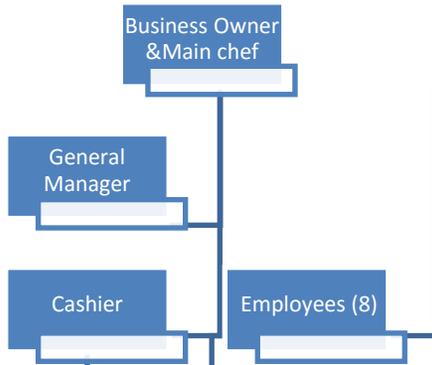
#### Limited Responses

The questionnaire responses from participants may be fewer than the total amount of the distribution like 50 pieces of questionnaire are being distributed but only 40 pieces of questionnaire get back, or some participants only finish a portion of questions rather than answer every question in the questionnaire and finish the questionnaire completely. This may be recognized as a barrier in the process of analyzing results.

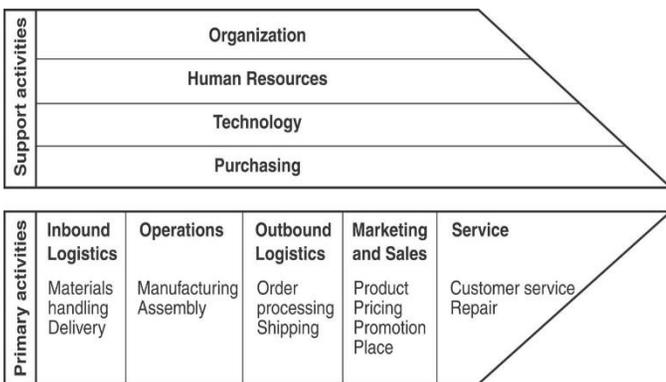
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## 5. Appendix A



Source: Porter (1979)



Source: Porter (1985).

## 6. Appendix B

### Customers survey

#### 1. What is your age?

- Under 20
- Between 20 and 30
- Between 30 and 40
- Between 40 and 55
- Over 55

#### 2. Are you

- Female
- Male

#### 3. What is your occupation?

#### 4. Are you New Zealanders? If not, which country do you come from?

- Yes
- No

Comments:

#### 5. How often do you come to the shop

- 3-4 times one week
- once a week
- 2-3 times one month
- once a month
- half a year
- more than one year

#### 6. Which type of customer you think you belong to regarding the shop

- New customer
- Current and frequent customer

#### 7. If you are a current and frequent customers, how long have you been the customer of this shop?

- Half a year
- One year
- Three years
- Five years
- More than five years

#### 8. What are your main interest in selecting

- Tasty
- Health
- Fast
- Other (please specify):

#### 9. Do you prefer to choose sushi or set meal when you come to the shop?

- Sushi
- Set meal

#### 10. Which kind of sushi you like, or you think is more delicious?(You can choose more than one answer)

- Vegetarian
- Chicken (this include crispy chicken, chill chicken, teriyaki chicken and stick chicken)
- Salmon (this include fresh salmon and teriyaki salmon)
- Beef
- Seafood (this include prawn, crab, tuna and squid)
- Other (please specify):

#### 11. What kind of set meal you like, or you think is more delicious?(you can choose more than one answer)

- Udon (this include basic, vegetable, chicken and prawn Udon)
- Spicy Ramyun (this include egg, chicken and prawn Ramyun)
- Chicken with rice (this include crispy chicken, chill chicken and teriyaki chicken)
- Teriyaki Salmon with rice
- Other (please specify):

#### 12. What do you think the most important reason that attract you come to the shop

- Wide range of food option
- Healthy and high-quality food
- Good taste of food
- Good customer service
- Free soup and green tea offer
- Relatively low price
- Good eating environment
- Other (please specify):

#### 13. How do you find your experience

	Strongly Satisfied	Satisfied	OK	Dissatisfied	Strongly Dissatisfied
Food taste and quality	<input type="checkbox"/>				
Customer service	<input type="checkbox"/>				
Internal environment	<input type="checkbox"/>				
Price	<input type="checkbox"/>				

#### What aspects do you think the shop need to improve in the future?

#### 14. Do you have any comments

# Implementation Plan of Health and Safety Processes

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## Abstract

An auditor was asked to review an organisation's Health and Safety procedures to assess compliance with the new legislation imposed by The Health and Safety Act 2015. Then the organisation approached an internal source to conduct a strategic plan in order to target issues of health and safety risk. An implementation plan will be designed to achieve the auditors recommendations and improve the organisation's Health and Safety practices. Research and audit of the current policies and procedures used at the organisation must be conducted in order to gain a better understanding of the current issues and from there develop action plans and a strategy on how to reach those action plans. Current documentation of policies and an interview with management will be analysed to detail the potential action plans. Once the research has been conducted, results will be used to determine conclusions.

*Keywords: Implementation, Health & Safety, Strategy*

*JEL Classifications: K32*

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# 1. Organisation Background

The organisation's culture is made up of shared assumptions, beliefs and values that are not only communicated, but also promoted by the Board and Management. The culture has been driven by their historical commitment to values and the cooperative instinct which has seen the organisation strongly support the movement both nationally and internationally. In the last year, they have re-evaluated their commitment to the national development, which is seen as having lost sight of their core values.

The organisation has also undertaken a transformation from a small branch entity and mentality to one of multi branches spread out over a wide geographical area. This makes communication of and commitment to their culture a little more challenging. Culture, and the values of the culture are significantly more important now than at any previous time. Serious implications could be faced if they do not define and drive them through the organisation. Staff are an important asset, and as such the organisation is ready to invest in their staff to ensure staff retention. On-going training of staff is always encouraged.

When dealing with members staff are asked to have empathy, show care and understanding. The organisation culture is one of:

- Empathy
- Care
- Understanding
- Trust

## Goals

The organisation's objectives set the fundamental long-range goals. The goals for the organisation are:

To be a true financial co-operative and adhere to traditional values of mutuality, service and trust.

To grow membership, savings and loans while maintaining financial ratios and performance.

To commit to the communities by the provision of decent financial products and services and the creation of branches that provide advanced digital experience, combined with convenient location. The organisation will continue to invest in people to engage with members, focusing more on the core philosophy of "people helping people".

To acknowledge that many current and potential members are attracted to a digital service model

and to commit to investing in technology to compete with digital alternatives to traditional providers.

# 2. Organisation Context

## Situational Analysis

### PESTEL Analysis

#### Political

Possible changes to the Act that governs finance institutes, resulting in increased operating costs (if they are no longer tax exempt)

Further regulation that may require the organisation to adapt / change processes to ensure compliance

Consumer protection: recently the commerce commission punished other financial entities for falsely offering pre-approvals to prospective customers

Data protection is becoming increasingly important. The organisation must ensure that members' data is protected at all times

#### Economic

OCR generally drives interest rates in the economy, it is expected to start seeing an increase in the OCR in the next 12 months, which may result in changes to the interest rates offered to members

Increased house prices in Auckland have had, and will continue to have a flow on effect to those not just living in Auckland

Changes to the disposable incomes of New Zealanders impacts on members' ability to be able to pay back any credit extended to them and also their willingness to take on further debt

#### Social

Increased financial literacy/ education of the members helps the organisation reinforce the benefits of being a part of a mutual cooperation New Zealanders attitudes towards saving and investing - resulting in either an increase or decrease in demand for these products from members

New Zealanders attitudes towards borrowing impacts on the personal loan product. If the public becomes more risk adverse then promoting this product to members becomes harder

#### Technological

Rapid changes in technology in the industry (e.g. ASB's cash elephant for kids).

Spending on R&D, to help promote the organisation’s digital offerings/ goals increases the need to invest.

Access to new technology to remain competitive in the market.

**Environmental**

There is increased pressure placed on organisations to not only be socially responsible, but also environmentally and take into consideration sustainable business practices.

**Legal**

Health and safety compliance is now incredibly important for all organisations, and appropriate procedures need to be in place to ensure workplace compliance at all times.

Protection of intellectual property is becoming increasingly important as competition rises in a crowded workplace.

Compliance with regulatory requirements, and ability to act quickly to any changes.

**Member Analysis**

The organisation worldwide strives to offer members from all walks of life much needed financial services. The organisation serves the underserved, those who may not necessarily fit the bank’s “ideal” customer. The current membership base relies heavily on the branch network for transactions, signifying that they are price sensitive, and may require extra help when it comes to managing their finances.

The most profitable segment of members for transactional banking is primary shareholders between the ages of 25 and 49 years. They make up approximately 36% of memberships and generate 53% of fees on a monthly basis. Members in this age bracket are the ones who are also likely to borrow money for things like technology upgrades (phones, laptops), holidays and to consolidate debit/credit cards. There is a large member segment in the under 15 years of age bracket, who do not provide much by way of profit., However, if these members can be retained as they move through their life cycle/ decision making cycles then the organisation may reap some value from them in the future.

The members who will provide the greatest long-term opportunities are those between the ages of 18-34. The reason for this is because the organisation is capturing these members at a stage in their life cycle when they are making decisions about their financial future. These members are also those that tend to be less debt adverse, therefore the personal loan product is appealing to them. This

lending can be followed by promoting the home loan product to them when appropriate.

**SWOT Analysis**

<p style="text-align: center;"><b>STRENGTH</b></p> <ul style="list-style-type: none"> <li>• Strong Governance &amp; Management</li> <li>• The organisation has been around for many years</li> <li>• Dedication of staff</li> <li>• No fee loan structure</li> <li>• Cooperative philosophy</li> </ul>	<p style="text-align: center;"><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>• Complacency mindset/ best kept secret mindset</li> <li>• Lack of full time business development staff</li> <li>• Member loyalty- particularly in the younger generations as they seek services immediately</li> </ul>
<p style="text-align: center;"><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>• Process innovation through new technology (leveraging off new core banking platform)</li> <li>• Promote what the organisation does not do, rather than what they do that financial organisations are doing (clear, concise and compelling messages) e.g. no monthly account fees</li> <li>• Business development in and around communities surrounding branches (Branch Managers)</li> <li>• The public is becoming increasingly more aware of things like credit scores etc, leverage off that to educate</li> </ul>	<p style="text-align: center;"><b>THREATS</b></p> <ul style="list-style-type: none"> <li>• Increased competition from banks for the personal loan product</li> <li>• Terminology used for the products and services offered (e.g. what the accounts are called, and using it in promotional material (share accounts)</li> <li>• Increased competition from non-traditional providers who have high levels of consumer trust and are entirely online e.g. Google</li> </ul>

<p>members of the benefits of good credit, debt consolidation etc</p> <ul style="list-style-type: none"><li>• Young members</li><li>• Mortgage members, extracting increased lending from members with a mortgage (offering personal loans)</li><li>• People are looking for organisations they can trust and who communicate a strong moral and philosophical certainty</li></ul>	
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## Internal Analysis

### Competitor Analysis

The organisation is operating in an increasingly competitive industry – dominated by the banks, although there have been recent entrants in the lending sector, focused on the peer-to-peer lending concept. Generally, the organisation faces competition from the following (in transactional banking and/ or lending):

### Registered banks

Profits for their shareholders are the main drivers for these competitors, as can be seen when they announce their annual profits. They seem to be working hard on being more personal when interacting with their customers. However, customers of these competitors are still part of a very large pool. The banks have strength in numbers - branches are well positioned, and in most cases there are many of them, helping to service their customers. They tend to follow suit when it comes to pricing/ reacting to economic events (e.g. OCR).

### Savings and Loans institutions

These competitors tend to have more of a niche market/ serve a particular group/ membership. The organisation competes directly with other institutions that fall into this group, and while they tend to be entrenched in their local area, their weakness is that they do not target a greater geographical area. Harmony has been a successful disruptor in this market, and their success can be greatly attributed to their digital offerings and ease of use.

### Finance companies

These companies operate to serve a purpose - fast, easy to access money for those who may not necessarily be in a position to make better decisions. Their fee/ interest charging structure has come under scrutiny in the past few years as the spotlight has been on responsible lending. Interestingly, even with all the increased regulations and compliance surrounding lending institutions it is still apparent that new pay day lenders pop up and members begin using them.

### Credit Card and Retail finance

Due to their accessibility at point of sale, the retail finance companies continue to appeal to people's need to "have now, pay later". Many banks use credit cards as a hook to get customers with their loyalty schemes and very low interest rates. In the future, it can be expected to see greater (digital) competition from all of the above competitors for the personal loan product. This means that the case organisation needs to be more targeted with their

offerings to members, ensuring that they are talking to them at a relevant stage in their life cycle, and being competitive with their offerings. Many consumers, particularly Millennials and Gen Z are drawn to alternatives to traditional providers. Traditional financial providers have compliance and regulations that make them less able to be flexible.

While this means that these pose high barriers to new entrants in the banking world, it does not prevent organisations from offering parts of the banking service. Consumers are increasingly reliant on tech giants such as:

- Google
- Apple
- Facebook, and
- Amazon

Mobile wallets and integrated payment services can be offered by these organisations without the need to become banks. This is potentially harmful as Millennials have a high level of trust in these organisations. Management believes that the organisation needs to create branches that provide an advanced digital experience combined with convenient locations, whilst also developing an online digital experience that can compete head on with tech giants. The vast majority of today's consumers view their bank relationships as entirely transactional; in order to gain customer loyalty, the organisation must be more assertive in using technology to provide tailored, personalised offerings when, where and how members want them.

## 2. Literature Review

### 2.1 *Planning Before Implementing*

Businesses undergoing change must plan and come up with a strategy prior to implementation date. Planning in a business is extremely vital, as planning in advance is essential to conducting a strategy and determining issues involved in the implementation process, thus allowing the organisation to prepare for these challenges. Gartenstein, D, (2017) believes that planning is very important in an organisation especially when implementing change, because it provides a sense of direction and outlines measurable goals. Strategic planning is useful in guiding day-to-day decisions and for evaluating progress and changing approaches when moving forward (Gartenstein, 2017).

Bunner (2016) believes that planning must involve setting timelines in order to achieve the best

results. Having a project timeline is of high importance to every project as it captures the essence of what the project will accomplish and how and when it will be done, thus allowing employees working on the project to gain a better understanding of expectations and deadlines and a vision of the future (Bunner, 2016). Eisenhauer (2017) concurs with the idea that planning and setting timelines builds a stable foundation of change implementation. However, he believes that having a communications plan also plays a critical role in managing change and guides employees through that change. Communicating the plan and timelines with employees allows the organisation to gain their support and adaptability and reduces resistance to change (Eisenhauer, 2016).

#### Prioritising

A huge part of planning, setting timelines and communicating change is prioritising which objectives must be looked at first. Richards-Gustafson (2017) believes that establishing priorities guides the organisation in setting a timeline. As well as communicating goals, strategic plans set clear priorities. Priorities are generally based on due dates, client needs, financial concerns, worker needs or logistics. Deadlines help guarantee the implementation of a plan with realistic due dates, but a company must provide its workers with clear action steps and resources to ensure the success of the plan. Failure to communicate priorities can cause inefficiencies, miscommunications, worker frustration and low morale. When priorities or deadlines are realistic, employees feel as if a company is setting them up for success (Richards-Gustafson, 2017).

Hunt (2017) agrees with the idea of prioritising tasks and believes it is specifically important as not all work tasks are of equal importance, and that tasks should therefore be attempted on the basis of high importance to low importance. When deciding which tasks require immediate attention, the organisation must focus on the consequences of not completing the task and ask which task will have the most detrimental effects if not completed and from there timeframes are set (Hunt 2017). Suttle (2017) underlines that the ability to prioritise work comes from having general organising skills and thus allowing employees to organise their work and determine the important priorities; all employees must have organising skills.

#### Resourcing - Internal vs External & Costs

In order for strategic plans to be carried out successfully, all organisations must allocate generally limited resources as part of the plan. The

planning process provides the information top management requires to make effective decisions about the allocation of resources in a way that will enable the organisation to reach its objectives, thus allowing management to identify whether resourcing will be internal or external (Hill, 2017). Root (2017) believes that using internal sources to accomplish plans, strategies and organisational goals has its benefits such as having a positive impact on staff morale and productivity, as staff feel that the organisation rewards hard work and offers opportunities and career development (Root, 2017). Internal resourcing reduces costs of hiring and training new talent and also minimises the risk of new appointments not fitting into the organisation's culture (Root, 2017).

Usher (2017) argues that although external resourcing and recruitment can be costly it also has its advantages. It brings new talent and new ideas to the business and does not limit the number of candidates an organisation can screen/interview (Usher, 2017). External resourcing allows the organisation to be exposed to a more diverse set of skills and experiences, thereby creating a competitive advantage in the market as new candidates will bring new ideas acquired from past roles in competitors' organisations; it is also less likely to cause resentments and conflict between employees and the existing team (Usher, 2017). Creasy (2017) adds that planning for change and implementing change can be costly in other ways: besides costs involved in recruiting the right talent to assist change there are other factors such as salary and compensation for employees, training costs, material costs, contractor costs, communication costs, general expenses, workshop costs, consultant costs and reinforcement and recognition costs (Creasy, 2017).

#### Workplace & Organisational Culture

Deciding on the best method of resourcing in order to plan and implement change depends on the current culture of an organisation. If an organisation chooses to hire internal talent to assist change, this must be a norm within the organisation; if an organisation chooses to approach a third party by externally hiring talent this must also be a practiced norm within the organisation to avoid conflict and confusion in the workplace and organisational culture. Lowe, K, (2017) believes that a shared organisational culture helps unite employees of different demographics. Many employees come from different backgrounds and have their own cultures, so having a shared culture in the workplace gives them a sense of unity. This promotes better communication, equality, less conflict and working

together as a team towards the organisation's goals, objectives and changes (Lowe, 2017). Organisational culture increases motivation and loyalty of employees to management and provides employees with a sense of direction; employees understand what their roles are and how to accomplish tasks prior to established deadlines (Lowe, 2017). An organisation's culture defines its identity; an entity's way of doing business which aids in identifying the need to change and supporting the organisation and decreases resistance to change (Lowe, 2017).

### Resistance to Change

When planning takes place in an organisation, factors such as prioritising tasks, resources, costs, and maintaining workplace organisational culture are taken into consideration and are viewed as vital factors for accomplishing a plan for change. However, somewhere in the mix the employees must also be considered. Communicating change to employees is extremely important, but incorrect communication will not guarantee that employees will be compliant, accept and understand the change; therefore, minimising resistance to change is an important step in moving forward. Brookins (2017) outlines factors that can lead to resistance to change in an organisation with the main factor being poor or incorrect timing of communication. Employees must not only be communicated to, but communicated with and consulted during planning and decision making. Management must ensure employees are receiving information first-hand in order to avoid inaccurate and second-hand information being spread through the hierarchy (Brookins, 2017). Management must pass details of change along to team members and ensure all questions and complaints are handled before change comes into effect (Brookins, 2017).

Employees acting in their own self-interest, allowing feelings of exclusion to overtake their emotions, lacking trust in management's decision to initiate change, and feeling incompetent while dreading training are all factors that cause people to resist change (Brookins, 2017). Rick (2011) also suggests fear of the unknown as one of the most common reasons for resisting change. People fear taking active steps towards the unknown as they feel that the risks of moving forward in a new direction are greater than those of standing still (Rick, 2011). People resist change when the benefits and rewards for making change are not seen as adequate for the trouble involved and due to exhaustion and saturation; when people comply with change, that does not mean that they accept it, as people who are overwhelmed by continuous change resign

themselves to it and go along with the flow-motivation starts to become low and staff become disengaged (Rick, 2011).

### Staff Engagement

Engaging staff in change can minimise resistance to change within organisations and allows staff to gain a better understanding of the need for change, which allows staff to feel more valued and in turn increases productivity. Gleeson (2017) believes that to gain staff engagement, management should not only communicate the plan for change with employees but the compelling vision for the organisation and include employees in this vision: the change is being done with their help and subsequently for them, so it is important to allow them to voice their opinions. Providing sufficient training for new systems and structures early on in the process engages staff in the change and provides them with a taste of the future and the confidence they need to work with these new systems and structures (Gleeson, 2017). Webster (2017) suggests that staff engagement does not stop when change comes into effect but should continue after the change has taken place in order to sustain the change. After change has taken place staff feedback must be considered in order to engage them and work with them to adapt (Webster, 2017).

## 7. Research Aim

An auditor was asked to review the organisation's Health and Safety procedures and as a result it was found that the organisation must work on a lot of areas in order to comply with the new legislation imposed by The Health and Safety at Work Act 2015. The auditor conducted a review placing the current risks into categories of high, medium and low and for each issue a recommendation was also made. The organisation then approached an internal source to conduct a strategic plan in order to target the issues one by one starting with the issues that are of high risk.

The research for this project will cover literature reviews that look at the best practices of change implementation in organisations and the legislation around the new Health and Safety at Work Act 2015. After taking into consideration the current Health and Safety policies and procedures an implementation plan will be put into place in order to achieve the auditor's recommendations and improve the organisation's Health and Safety practices. Research and audit of the current policies and procedures used at the organisation must be conducted in order to gain a better understanding of the current issues and then

develop action plans and a strategy on how to reach those action plans. This can be achieved by reviewing current documentation of policies and organising an interview with management.

Throughout the project, it must be kept in mind that this is a real-time project, so relevant steps should be taken along the way in order to begin showing improvement not just suggesting it. This can be organised with management. Once the project has been prepared and all research has been conducted, it will then become possible to determine results, conclusions and a critical evaluation of the research and the method of research.

## 8. Method

Primary research will be conducted in order to ensure that the organisation's management team has an input and that first-hand information can be attained to gain a better understanding of the issues facing the organisation and the desired outcomes they wish to achieve from this project.

### 3.2 Limitations

There are no major limitations for this project. However, one limitation could be an inability to gain information from managers when required and the delaying of interview time due to busy schedules. Another could be limited information displayed to public of other organisation's best practices due to privacy reasons.

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## 10. Appendix A

### Interview questions

1. Thank you for agreeing to take part in this interview, could you please tell me about your role and what it involves?
2. What in your opinion are the main issues with the current Health & Safety practices?
3. Why was the auditor asked to observe and review the current Health & Safety practices and procedures?
4. Please tell me about the process and reasons for using an auditor for the Health & Safety audit (what other options, if any, were considered?)
5. What in your opinion are the main issues that must be addressed immediately?
6. In simple steps, can you outline how you wish the 3<sup>rd</sup> party should approach each recommendation and the order of which you would like the implementation to take place?
7. If you could put a timeframe on accomplishing the strategic report for high, medium, and low risk, when would that be? E.g. 6 months, 12 months?
8. What record keeping improvement do you think could the business make in regards to Health & Safety?
9. Do you think there are any other changes/improvements to any other aspect of Health & Safety planned or needed?
10. Please tell me about the current record keeping process used?
11. Is there anything else you want to tell me about or comment on with regard to Health & Safety?