



## ECONOMIC

### Sustainable Businesses

#### Commitment 1: Businesses are focused on long term financial performance

##### What does this mean?

- Businesses are to be managed responsibly and prudently with a best practice approach to financial management and planning.
- Focus is on long term financial performance, not short term gain.

##### How does this benefit me?

- Financially successful businesses with sound long-term financial plans are best placed to be truly sustainable by contributing to society, the environment and the success of the New Zealand tourism industry.
- Long-term planning is the key to any successful business venture.
- One of the most crucial benefits of financial planning is cost control. Creating annual budgets lets you see all expenses, plan for them, monitor them to see whether you are on track to meet your goals, and adjust them if necessary.
- Just because bookings and sales are strong doesn't mean you'll have that money as and when you need it. Financial planning includes a cash flow plan that forecasts all income and expenses and their exact timing, to ensure that all financial obligations, including investments, can be met as and when they occur.
- When you are in full control of your business' finances through long-term planning and monitoring, you are likely to realise that contributions to your host community or the environment can be comfortably included as part of your business expenses. And in turn, being truly sustainable can become a strong marketing tool for you to strengthen and grow your business.

##### Actions for your business

- Before you plan, take a step back and thoroughly analyse your business.
- Consider using an analysis tool like SWOT (strengths, weaknesses, opportunities, threats) or PESTLE (political, economic, social, technology, legal, environmental).
- Financial planning should always be done as part of an overall business planning exercise that includes an operational plan, HR and training plan, sales and marketing plan, community engagement plan, and others.
- Formulate clear, measurable and attainable operational and financial targets (short-term/long-term).

- Prepare business plans and strategies with a horizon of at least 3 years, and ideally 5 years. A good financial plan that can serve as a valuable tool to measure and manage your business should include:
  - Detailed revenue forecasts, by month
  - Forecasts for all expenses, as detailed as possible (goods purchased, consumables, services, salaries, other human resources-related expenses, sales and general administration cost, repair and maintenance, insurances, rates, fees, etc.), by month
  - Investment Plan
  - Cash flow Plan
  - Profit & Loss Forecast
  - Balance sheet (this may be optional for SMEs as it may require external professional assistance).
- Consider scenario planning. Prepare forecasts for best case, base case and worst case. Comparing your actual performance against the three scenarios will allow you to adjust your spending in a timely and well-planned manner to the income scenario you are experiencing.
- Establish financial key metrics and performance indicators (KPIs) to allow you to track, analyse and manage your financial performance.
- Establish financial reporting as a standard business practice. Measure and report financial performance against plan/budget on a monthly or quarterly basis.
- Analyse and take corrective action fast if actual performance lags behind budget.

*Become an inspiration for others!*

*We would love to share your contribution to creating a sustainable New Zealand tourism industry. Email us at [info@tia.org.nz](mailto:info@tia.org.nz) with your sustainability success stories and inspire others across the industry.*

**Additional information, resources and useful links can be found on [www.sustainabletourism.nz](http://www.sustainabletourism.nz)**