Business resilience: A study of Auckland hospitality sector

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Abstract

Businesses in the hospitality sector play an important role in the New Zealand economy. As most businesses in this sector are of small size and subject to external disruptions, being resilient is crucial for their coping and survival during a time of crisis. This research aims to measure the resilience of hospitality businesses in the largest city Auckland. A triangulation approach was adopted, including a questionnaire survey and face-to-face interviews. It was found that the key resilience attributes for the studied businesses include: leadership and management, core competence of staff, market sensitivity, situational awareness and having preparedness plans. Resilience was viewed by these businesses as being able to stay viable and withstand the expected fluctuations such as low-demand seasons and unexpected financial issues. However, amongst the surveyed businesses, there is a lack of planning for unexpected events such as large scale disasters, an issue which needs to be brought forward along with the formulation of disaster risk reduction plans.

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1. Introduction

Organisational resilience has been defined as the ability to survive a crisis as well as thrive through effective planning and adaptive capability by developing innovative solutions [1, 2]. In the context of New Zealand, events
such as the 1998 Auckland Central Business District (CBD) power outage [3] and the more recent 2011 Christchurch earthquakes [4] have brought the issue of business resilience to the forefront. Due to the unexpected nature of high impact disasters and the difficulty in quantitatively defining and measuring resilience, investment into developing resilience plans can be difficult to support. For businesses, the full impact of a disaster is often only appreciated in hindsight but a forward thinking approach needed to be applied to mitigate potential damages [5].

Resilient Organisations (ResOrgs) is a Canterbury-based research and consulting group who offer resilience benchmarking tools in order to address its importance following the Christchurch earthquakes. By incorporating the ResOrgs’ business benchmarking tool, researchers in this study developed a questionnaire survey for assessing the level of resilience in Auckland businesses. Auckland, as the New Zealand’s largest city, contributes 36.6% of the country’s GDP [6]. Any major crisis that could incapacitate Auckland businesses would have ripple effects on a national scale.

In particular, small-to-medium enterprises (SMEs) in the Auckland’s hospitality sector were chosen due to the large number of businesses within the sector and their particular issues such as high staff turnover and fluctuating seasonal demands. SMEs are defined as businesses with less than twenty full time employees and make up 97% of all businesses within New Zealand, contributing 26% of the national GDP [7]. Within the hospitality sector, SMEs represent 92% of all establishments and employ 47% of all staff in the industry [8].

Against this backdrop, this research aims to:

- Investigate how businesses in hospitality sector understand the concept of resilience;
- Identify the resilience indicators that are most relevant to SMEs in the hospitality sector; and
- Explore the means of risk mitigation and business preparedness that will enhance their resilience

2. Literature review

A review of previous literature was undertaken in order to identify what attributes of a business were most important in building resilience. From studies on various businesses across different industries, common indicators were identified and summarised in Table 1.

Table 1. Summary of business resilience indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
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<tbody>
<tr>
<td>Leadership &amp; Management</td>
<td>Able to make critical decisions on how businesses should be operated</td>
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<tr>
<td>Situational Awareness</td>
<td>Having knowledge of internal and external environments</td>
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<tr>
<td>Network Robustness</td>
<td>Having an effective network of physical and social capitals</td>
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<tr>
<td>Planning and Preparedness</td>
<td>Having infrastructure to mitigate changes</td>
</tr>
<tr>
<td>Adaptive Ability</td>
<td>Having dynamic capacity to respond to changes</td>
</tr>
<tr>
<td>Market Sensitivity</td>
<td>Being tuned to market changes</td>
</tr>
<tr>
<td>Innovation and Diversification</td>
<td>Able to create additional revenue sources</td>
</tr>
<tr>
<td>Access to External Resources</td>
<td>Having access to additional aids from third parties.</td>
</tr>
<tr>
<td>Ability to Leverage Knowledge and Information</td>
<td>Being aware of and able to access available aids such as government funding</td>
</tr>
<tr>
<td>Compliance &amp; Regulations</td>
<td>Operating the business in accordance to rules and regulations</td>
</tr>
<tr>
<td>Reflective Business Model</td>
<td>Self-monitoring performance for future decisions on business operation</td>
</tr>
<tr>
<td>Core Competence of Staff</td>
<td>Having core competent staff members</td>
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Leadership within a business requires managers to be aware of the state of their organisation and be able to identify any weaknesses that may lead to significant issues. In comparison to larger and more established
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