

**AN EXPLORATORY STUDY ON THE PROFILE  
OF SMALL AND MEDIUM CHALET (SMC)  
OPERATORS IN COASTAL AREAS OF EAST  
COAST OF PENINSULAR MALAYSIA**

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**AN EXPLORATORY STUDY ON THE PROFILE OF SMALL AND  
MEDIUM CHALET (SMC) OPERATORS IN COASTAL AREAS OF EAST  
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**by**

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## **LIST OF ABBREVIATIONS**

8 MP	Eighth Malaysia Plan
ANOVA	Analysis-of-Variance
ASEAN	Association of Southeast Asian Nations
Assymp	Asymptotic
BBQ	Barbecue
CEC	Commission of the European Communities
CSFs	Critical Success Factors
DI	Domestic Investment
DTI	Department of Trade and Industry
EPU	Economic Planning Unit
ESRC	The Economic and Social Research Council
F	Frequency
FDI	Foreign Direct Investments
GDP	Gross Domestic Product
ICT	Information Communications Technology
i.e	For Example
IT	Information Technology
KOSGEB	Small and Medium Industry Development Organisation (Turkey)
KTMB	Keretapi Tanah Melayu
M	Mean
MAHTEC	Malaysian Association of Hotels Training and Education Center
MARA	Majlis Amanah Rakyat
MAS	Malaysia Airlines

MICE	Meetings, Incentives, Conventions and Exhibition
MMSC	Malaysia Mega Sale Carnival
MNCs	Multi National Companies
MTPB	Malaysia Tourism Promotion Board
NPar	Nonparametric
NSDC	National SME Development Council
RM	Ringgit Malaysia
SBS	Small Business Service
Sig	Significant
SMCs	Small and Medium Chalet
SMCOs	Small and Medium Chalet Operators
SMEs	Small to Medium-Sized Enterprise
SMHEs	Small and Medium Hotel Enterprises
SMIDEC	Small and Medium Industries Development Corporation
SMMEs	Small, Medium and Micro Enterprises
SPSS	Statistical Package for Social Sciences
Std	Standard
STAC	State Tourism Action Council
TDC	Tourist Development Corporation of Malaysia
TPB	Tourism Promotion Board
UK	United Kingdom
UPS	United Parcel Service
USA	United State of America
VIP	Very Important Person
VTOA	Victorian Tourism Operators Association

WAITGC	World Amateur Inter-Team Golf Championship
WTTC	World Travel and Tourism Council
WTO	World Tourism Organization
YES	Year End Sales

**KAJIAN PENEROKAAN PROFIL LATAR BELAKANG PENGENDALI  
CHALET BERSAIZ KECIL DAN SERDERHANA DI KAWASAN PANTAI DI  
PANTAI TIMUR SEMENANJUNG MALAYSIA.**

**ABSTRAK**

Industri pelancongan merupakan segmen penting dalam ekonomi Malaysia, dan penjana utama pertukaran asing. Sektor pelancongan telah menyumbang pendapatan sekitar RM53,367 juta atau 23,600,000 kedatangan pelancong pada tahun 2009. Peningkatan dari segi pulangan dan jumlah pelancong adalah sekitar 7.68% dan 7.03% dibandingkan dengan tahun sebelumnya. Akibatnya, penginapan perhotelan seperti vila, bunglo dan resort telah membangun dengan cepat, sepanjang pantai di Pantai Timur Semenanjung Malaysia. Seperti perniagaan kecil yang lain, kebanyakan pengusaha chalet kecil ini berusaha untuk bersaing dengan hotel-hotel besar dan resort. Subjek kajian ini adalah untuk menganalisis pengusaha chalet sederhana dan kecil (Small Medium Chalets, SMC) yang beroperasi di sepanjang pantai di Timur Semenanjung Malaysia, yang terdiri daripada negeri Kelantan, Terengganu dan Pahang. Objektif kajian ini adalah untuk menentukan latar belakang demografi, ciri-ciri pengusaha, faktor pengurusan dalaman dan luaran serta faktor kejayaan kritikal (Critical Success Factors, CSF). Tesis ini juga menjelajah masalah dan cabaran yang dihadapi oleh para pengusaha. Populasi kajian ialah pemilik / pengurus chalet. Kajian ini diadaptasi daripada gabungan kaedah kuantitatif dan kualitatif. Hasil kajian mendapati bahawa SMC didominasi oleh pengusaha lelaki Melayu yang sudah berkahwin, berusia dalam lingkungan 40-49 tahun. Sifat keusahawanan SMC yang penting adalah kualiti kepimpinan yang baik, berdikari serta yakin pada kebolehan diri. Jenis perniagaan utama adalah persendirian dan berdaftar di antara



tahun 1998-2008. Sebahagian besar SMC telah lama bekerjasama dengan Kementerian Pelancongan dan Majlis Tindakan Pelancongan Negeri. Bahagian yang penting dalam operasi SMC adalah pejabat, penginapan tetamu dan sekitaran rumah / chalet. Antara kesukaran yang didepani pengusaha dalam mengekalkan perniagaan mereka adalah modal dan penutupan operasi buat sementara waktu semasa musim tengkujuh.

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**ABSTRACT**

The tourism industry represents an important segment of the Malaysia economy. It is the key generator of foreign exchange for the nation. The tourism sector contributes revenue of roughly RM53,367 million or 23,600,000 tourist arrivals in 2009. The increment in terms of revenue and number of tourists is about 7.68% and 7.03% respectively compared to the previous year. As a result, hospitality accommodation such as chalets, bungalows and resort have been developed at a very fast pace, along the coastlines of the East Coastal of Peninsular Malaysia. Like other small businesses, many small chalets operators are struggling because of stiff competition with large hotels and resorts. The subject of this study is to analyse the Small Medium Chalets (SMCs) Operators operates along the coastal areas of East Coastal Peninsular Malaysia consisting the state of Kelantan, Terengganu and Pahang from certain facets. The objectives of the study are to outline their demographic backgrounds, characteristics of the operators, their internal and external managerial factors and their Critical Success Factors (CSFs). The thesis also explores the problems and challenges faced by the operators. The population were owners/managers of the chalets operators. The Mixed Method of quantitative and qualitative methodology was adapted in this research. The result obtain that SMCOs in the coastal are dominated by married Malay males, between ages of 40-49. The essential entrepreneurial characteristics of SMCOs are good leadership qualities, independence and self confidence. The main type of business was sole proprietor and

registered between 1998 and 2008. Most of the SMCOs have developed long-lasting alliance with Tourism Ministry and Tourism State Action Council. The most important departments were front office, guest accommodation and back of house. Among their difficulties faced in sustaining their businesses has been the lack of little capital and temporary shutdown of operations during monsoon season.

## **CHAPTER 1 - INTRODUCTION**

### **1.1 Introduction**

The introductory chapter will describe the rationale and the scope of this research on Small and Medium Chalet (SMCs) Operators in the Coastal Areas of East Peninsular Malaysia. The industry's background, problem statement, research objectives, research questions, outline of researcher's methodology and lastly the outline of the thesis will be discussed.

### **1.2 Background**

Tourism and hospitality is the fastest developing sector of the global economy. The contribution of travel and tourism to gross domestic product (GDP) worldwide is expected to rise from 9.4% of US\$5,474 billion in 2009 to 9.5% of US\$10,478 billion by 2019. (<http://www.wttc.org>)

In relation to the development in tourism sector worldwide, Malaysia has also been experiencing the same phenomenon. From the 1990s, the tourism industry has represented an important segment of the Malaysian economy. The total income from tourism activities has risen dramatically from year to year. The tourism sector's contribution to the country's GDP has increased from RM 8.5 billion in 1998 to RM 49.5 billion in 2008 (<http://www.motour.gov.my/>). Based on the records for the period of ten years, from 1998 to 2008, the number of tourists arrivals in Malaysia has shown an increment of 280% from 5.5 million to 22.0 million (<http://www.motour.gov.my/>). The Malaysian government is optimistic regarding the long term prognosis of the tourism industry. Thus, tourism entrepreneurs have come up with a variety of products to be offered to tourists ranging from meetings,

incentives, conventions and exhibition (MICE), travel to beaches holidays, food fair and many more. In addition, each state is committed to supporting the tourism industry and that is the key generator of foreign exchange. In line with the growth of the tourism industry, the hotel sector has been identified as a very significant segment contributing to the growth.

The contribution of the tourism sector is important because it is the main source of employment. According to Williams and Hall (2000), tourism being a labour-intensive industry has the potential of being a major source of employment. There are several branches of the tourism industry namely transport, accommodation, catering, food and beverage, excursions and recreational activities which can produce employment and revenue for diverse group of the general population. Tourism also has a high multiplier effect as it consumes a wide variety of local goods and services and thereby distributes income extensively. In relation to that, Archer and Owen, (1971) and Roe et al. (2004) have argued that the tourism industry has a higher multiplier and positive spillover effect than other economic sectors.

According to Jones and Tang (2005) small and medium-sized enterprises (SMEs) dominated the tourism and hospitality industry in most destinations form the spine/backbone of almost all economies in the world.. These SMEs are responsible for significant levels of employment, innovation and productivity (Klapper et al., 2002; Svejnar, 2002; Velasco and Cruz, 2001).

As reported in Tourism Minister Website (<http://www.motour.gov.my/>), there are 1,832 hotels registered with the Ministry as at December 2009. However, according

to Avcikurt (2003), the classification for hotels differs from country to country. Researchers specifically in the tourism industry, define SMEs in the hotel industry by using number of rooms and number of employees. Previous studies conducted by Saaid (2009), have anticipated a significant growth in the hospitality business for one to two-star hotels and chalets as tourists are expected to demand lower stars accommodation and budget hotels.

The coastal areas of Malaysia continue to be developed into tourist spots which should be able to attract an uninterrupted number of tourists arriving at our shores. In recent years the number of domestic and foreign tourists has increased gradually in the East Coast of Peninsular Malaysia. Tourism Ministry Malaysia (<http://www.motour.gov.my/>), reported that in 2005, there are 7,337,222 guests arrived in Kelantan, Terengganu and Kelantan. In the following year the number increases by 731,438 to 8,068,660 guests. In 2007 and 2008, the total number of guests visiting these states is 9,387,633 and 12,663,918 respectively. The percentage of increment was higher by 16.35% in 2007 and 34.98% in 2008.

As a result from the increasing number of tourists arriving annually, the occupancy rates for hotels were also higher. This helps to explain as to why hospitality accommodation such as chalets, bungalows and resorts are quickly developed along the coastlines of the East Coast of Peninsular Malaysia. The development is also supported by the supply of rich diversified tourism products such as culture, heritage, beaches and ecotourism.

### **1.3 Statement of Problem**

SMEs have been acknowledged as an important contributors to the development of the tourism industry. Many studies have been conducted on different segments of SMEs in tourism such as constrained growth of tourism sector (Rasul and Manandhar, 2009), environmental goals of rural family owned/operators tourism (Carlsen et al., 2001), small business performance (Morrison and Teixeira, 2004), financial performance (Sharma and Upneja, 2005), leadership and motivation behaviour (Peters, 2005) and family businesses (Getz and Carlsen, 2005).

Research by Reynolds et al. (1994) identified among the eight major reasons for business failure: financial management and liquidity problems, management inexperience and incompetence, poor or non-existent books and records, sales and marketing problems and staffing. The 1994 APEC survey, SMIDEC (2006), SMIDEC (2002), Ting (2004), UPS survey (2005) and others identified the following as the major challenges faced by SMEs.

- lack of access to loans;
- limited adoption of technology;
- lack of human resources;
- competition from Multi National Companies (MNCs);
- globalisation.

Malaysia SMEs play an important role in the country's economic development (Saleh and Ndubisi, 2006). The majority of studies on SMEs have been conducted in different sectors but the figure is negligible for SMEs in the hotel sectors. For example, Ahmad (2005) has conducted a study on the network features and activities

of small tourism and hospitality owner/managers in coastal and island destinations in the East Coast of Peninsular Malaysia.

Even though there one can see the rapid growth of chalet business in the East Coast of Peninsular Malaysia, their survivability is still unpredictable. Besides receiving a high number of tourists in certain periods, these chalet operators might have problems because of seasonal factors. Most of these chalets which are situated along the coast, facing the South China Sea are affected by the monsoon season from November to March. Most Small Medium Chalet Operators (SMCOs) along the coastal normally operate for less than 10 months in a year due to monsoon season. The major wind system that seasonally reverses its direction brings heavy ocean waves and very heavy rain which result flooded roads and difficulty in getting access to certain areas. Moreover, it's unadvisable for tourist to visit beaches and island which are dangerous. Normally during the monsoon season SMCOs often faces difficulties in maintaining their businesses due to temporary shutdown of operations and only resume business after the monsoon is over.

SMCOs have poor knowledge access to commercial loans, government loans and tourism funds which are provided by either public or private finance institutions to ease the financial burden of small and medium businesses (Saleh and Ndubisi, 2006). Most of the SMCOs using internal funds or rely on loan from friends, family members and relatives for the capital to establish business and maintaining their premises.



Information Technology (IT) such as internet is not something new in this era. Utilizing IT to attract potential visitor and interaction of room booking between client and hoteliers were the quickest way in marketing. However, small and medium hotels failed to take advantage from the development of information technology (Li, 1997). Besides failure in adapting marketing innovation strategy, small and medium hotels are also proven to have limited resources, lack of expertise and unaware of the invaluable use of internet which make them vulnerable (Moriarty et al., 2009).

Many researchers highlighted small and medium hotel businesses are lacking in terms of their management skills and tourism related knowledge (Ogden, 1998; Saleh and Ndubisi, 2006). Tourism sector is a low level entry barrier where only minimum capital requirement needed to establish the business compared to other sectors (Szivas, 2001). Researchers also find out that majority of the hotel owner-managers have no specific qualification, very minimum industry experience and lack of business skills due to their previous work experience is not related to tourism and hospitality (Glancey and Pettigrew, 1997).

In view of the fact that only very few studies have analyzed the sustainability of SMCOs in the Malaysian tourism industry, this study is carried out to look into SMCOs in Coastal Area of East Coast Peninsular Malaysia.

#### **1.4 Research Objectives**

The purpose of this research is to look at the SMCOs in the East Coast of Peninsular Malaysia. The following objectives have been formulated as a baseline of the study:-

- To outline the demographic backgrounds of the SMCOs and entrepreneurial characteristics of SMCOs.
- To identify the internal management factors in the angle of financial, marketing and operational factors.
- To determine the Critical Success Factors (CSF) of SMCOs.
- To explore the entrepreneurial problems related to the Federal and state governments.

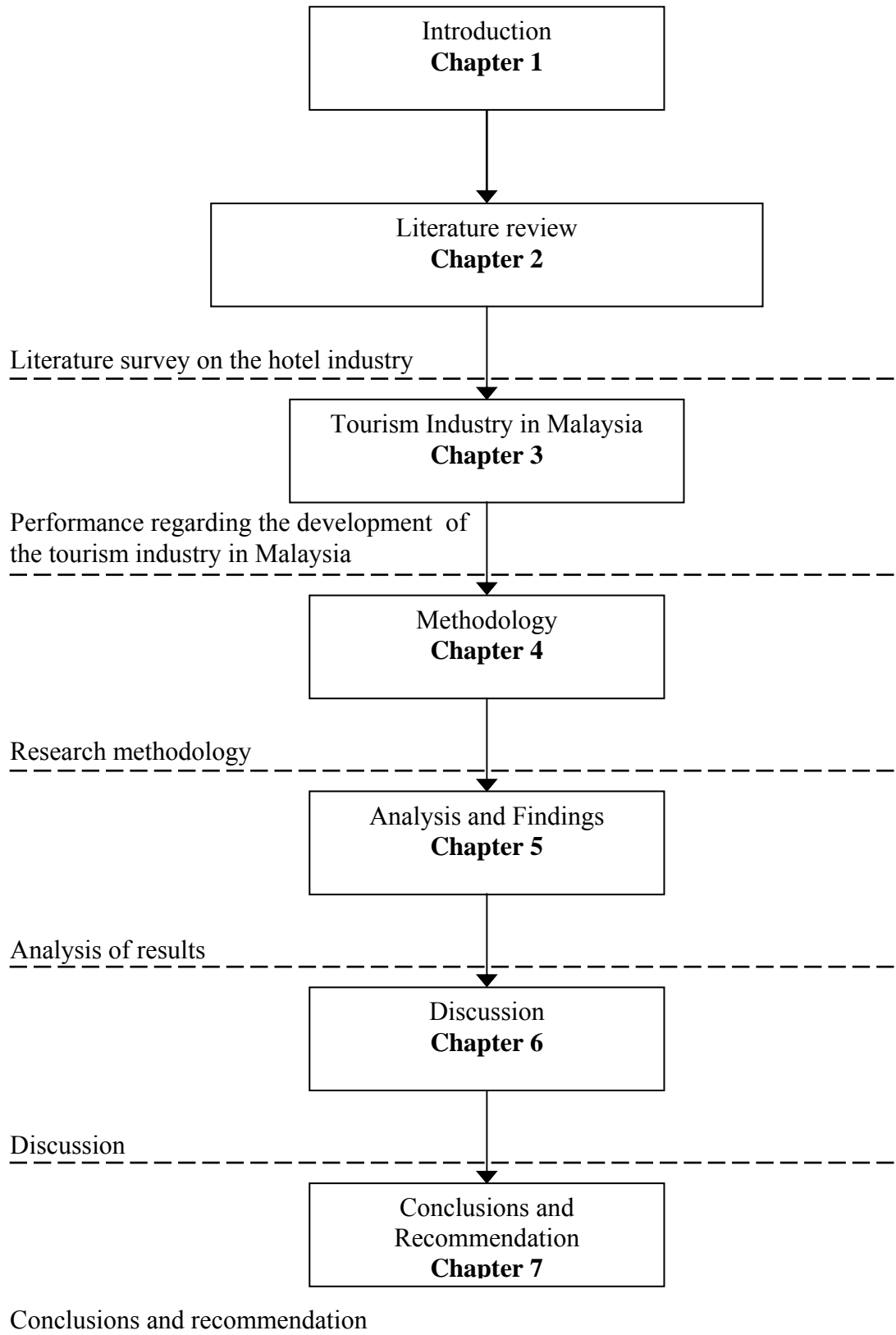
### **1.5 Research Questions**

The overall questions need to be analyzed in this study are:

- What are the demographic background profiles of the SMCOs and their specific entrepreneurial characteristics?
- What are the internal management factors in terms of financial, marketing and operational issues?
- What are the Critical Success Factors (CSFs) of SMCOs?
- What are the entrepreneurial problems related to the Federal and state governments?

### **1.6 Outline of Thesis**

This thesis is organized into seven chapters excluding the appendixes and the references. Refer Figure 1.2 for the summary of the structure of the thesis.



**Figure 1.1: Structure of the study**  
Source: Research study.

The first Chapter provides the introduction of the study. The second chapter reviews the theoretical and literature related to the issues pertaining to Small and Medium Enterprises (SME) that concentrate on the hospitality and tourism industry. The third chapter gives an overview of Tourism Destinations in Malaysia. Chapter Four describes the methodology of the research while Chapter Five presents the analysis and findings of the results from the personally administered questionnaires and in-depth interviews with the SME operators. Chapter Six provides discussion based on the results and findings vis-à-vis to literature review. Chapter Seven highlights the conclusions and recommendations of the research.

## 1.7 Key Terms

**Below are the key words that are used throughout the thesis.**

- **Small Operator** – The owner-manager of chalet with below than 50 numbers of rooms.
- **Medium Operator**– The owner-manager of chalet with 51 to 100 numbers of rooms.
- **Chalet** – A lodge built using concrete or brick block which design or room size similar to wooden chalet.
- **Operator** – Consists of owner, director, manager, hotel executives and assistant manager who is fully responsible for the management of the chalet.
- **Premise** – A business premises that run as a chalet or resort. This inclusive lodging premises and resort that is un-stared, without proper classification, grading and statutory.
- **Coastal** – the land near a shore or along a coast.

## **1.8 Summary**

In summary, these chapters have provided a brief outline about the thesis. Chapter Two will display the literature that has been used in this research. The literature review provides greater understanding and direction of thought with regard to the hospitality and tourism industry.

## **CHAPTER 2 - LITERATURE REVIEW**

### **2.1 Introduction**

This chapter reviews the theoretical and pragmatic literature regarding issues pertaining to SMEs that focus solely on the hospitality and tourism industry. In the beginning of this chapter, the researcher will define SMEs in the context of the services industry and then discuss previous SMEs studies in hospitality and tourism industries. This will include the characteristics of hotel owner/managers through a description of their characteristic via types of ownership, gender, age, educational background, experience, course and training and goal to start business. The Hotel and Premises Management part will cover the aspects regarding Managerial, Operational Premises, Critical Success Factors (CSFs) and issues and problems faced by owners/managers in the hotel and tourism industry. At the end of this chapter researcher a conclusion which summarizes what has been discussed will be provided.

### **2.2 Definition of Small and Medium Enterprises (SMEs)**

There was no concrete definition for SMEs in Malaysia before the formation of the Small and Medium Industries Development Corporation (SMIDEC) under the Parliamentary Act, 539 on 2 May 1996. SMIDEC role is to develop competent SMEs to be competitive in the global market ([www.smidec.gov.my](http://www.smidec.gov.my)).

During the early years, there was no clear cut definition of SMEs. Different agencies in Malaysia have different evaluation system to portray SMEs categories. Usually, SMEs were justified based on their annual sales turnover, the number of full-time employees and or shareholders' funds.

In June 2004, National SME Development Council (NSDC) was established as another division in the development of SMEs in Malaysia. In conjunction with the establishment of the NSDC, Bank Negara Malaysia was appointed as its Secretariat during the 8MP and '*Pelan Induk Perindustrian Kedua*' (IMP2). The Council of NSDC which was chaired by the Prime Minister represents the Government's top-level commitment to promote SMEs developments (<http://www.smibusinessdirectory.com.my>). NSDC's key role is to assign a single agency to put together overall policies and strategies for SMEs and to manage programmes across all related Ministers and Agencies by adopting a common definition of SMEs to facilitate identification of SMEs in the various sectors and subsectors such as manufacturing related services, primary agriculture and services sector. Standard definitions have been applied to all government ministries and agencies which have participated in the development of SMEs as well as the financial institutions. This is to enhance the government's efforts to produce effective policies and support programmes in achieving the specific target. Moreover it makes it easier to facilitate technical and financial assistance to SMEs. The identification of SMEs in various categories and sizes of organization may carried out in a smooth way (<http://www.smeinfo.com.my>).

The criteria used to measure size of an organization whether it is micro, small or medium are based on annual sales turnover and numbers of employees 1 (<http://www.smidec.gov.my>) as tabulated in Table 2.

Table 2.1: Definition of SMEs base on different sectors by NSDC.

<b>Size</b>	<b>Primary Agriculture</b>	<b>Manufacturing (including Agro-based) and Manufacturing-related services</b>	<b>Service sector (including information communications technology (ICT))</b>
<b>a.) Annual Sales Turnover</b>			
Micro	Less than RM 200,000	Less than RM 250,000	Less than RM 200,000
Small	Between RM 200,000 and less than RM 1 million	Between RM 250,000 and less than RM 10 million	Between RM 200,000 and less than RM 1 million
Medium	Between RM 1 million and RM 5 million	Between RM 10 million and RM 25 million	Between RM 1 million and RM 5 million
SME	Not exceeding RM 5 million	Not exceeding RM 25 million	Not exceeding RM 5 million
<b>b.) Full Time Employees</b>			
Micro	Fewer than 5 employees	Fewer than 5 employees	Fewer than 5 employees
Small	Between 5 and 19 employees	Between 5 and 50 employees	Between 5 and 19 employees
Medium	Between 20 and 50 employees	Between 51 and 150 employees	Between 20 and 50 employees
SME	Not exceeding 50 employees	Not exceeding 150 employees	Not exceeding 50 employees

Source: National SME Development Council (2006), SME Annual Report.

Four years after the establishment of NSDC, Bank Negara Malaysia announced the official handover of the Secretariat function to SMIDEC on July 2008 (<http://www.bnm.gov.my>). With expanded functions after the handover by Bank Negara Malaysia, SMIDEC was transformed into the SME Central Coordinating Agency, to be known as SME Corporation Malaysia (SME Corp) commenced on 2 October 2009. The responsibility of SME Corp is to oversees the coordination of overall SME development efforts across all Ministries and Agencies, formulates



policies and strategies for better coordination and efficient implementation of SME development initiatives, coordinates SME statistics and publications; and formulates and implements overall SME financing policy to enhance access to financing across all economic sectors (<http://www.smidec.gov.my>).

After the birth of SME Corp, they redefines the criteria's used to measure size of an organization whether it is micro, small or medium based on annual sales turnover and numbers of employees as tabulated in Table 2.2.

Table 2.2: New Definition of SMEs based by SME Corp. on different sectors.

<b>Size</b>	<b>Manufacturing, Manufacturing-Related Services and Agro-based industries</b>	<b>Services, Primary Agriculture and Information &amp; Communication Technology (ICT)</b>
<b>a.) Annual Sales Turnover</b>		
Micro	Sales turnover of less than RM250,000	Sales turnover of less than RM200,000
Small	Sales turnover between RM250,000 and less than RM10 million	Sales turnover between RM200,000 and less than RM1 million
Medium	Sales turnover between RM10 million and RM25 million	Sales turnover between RM1 million and RM5 million
<b>b.) Full Time Employees</b>		
Micro	Full time employees fewer than 5	Full time employees fewer than 5
Small	Full time employees between 5 and 50	Full time employees between 5 and 19
Medium	Full time employees between 51 and 150	Full time employees between 20 and 50

Source: SME Corp (2010) - (<http://www.smidec.gov.my/node/33>)

Compared to the NSDC definition of SMEs, SME Corp has merged agro-based industry with manufacturing sectors into one sector. Some amendments have been

made to the annual sales turnover and full time employees in micro firm category. For instance, RM 50,000 sales turnover was increased in micro and small categories which brought a total of <RM250,000 sales turnover compared to previous criteria of less than RM200,000 for micro firms and less than RM250,000 for small firms. In terms of the number of employees, small firm categories were justified in having between 5 and 19 employees based on the NSDC definition. However in recent amendment by SME Corp, a figure of between 5 and 50 employees warranted placement in the micro category. For medium firm categories the criterion of between 20 and 50 employees was amended to between 51 and 150 employees. There were no changes in the criteria for Services and ICT related industries.

### **2.2.1 Classification of SMEs in tourism industry**

A previous study on classification of small firm in hospitality industry has been discussed by Morrison and Thomas (1999). There is no agreement in the literature about how “small firms” in the hospitality industry should be defined. Nevertheless the majority of studies on the hospitality industry justify the classification of small firms by using number of employees (usually fewer than 20); market share (very small), annual revenue or turn over (less than \$ 50,000) or limited infrastructure and assets.

In Turkey, a public agency known as Small and Medium Industry Development Organisation (KOSGEB) defines an enterprise with 1 to 50 employees as being a small enterprises and those with 51 to 150 employees as medium. However, the European Commission come out with a common definition of SMEs where “small enterprises” has been defined as those employ between 10 and 49 people while

“medium sized enterprises” are those that employ more than 50 but fewer than 250 people (CEC, 1996).

Avcikurt (2003) states that classifications in terms of its size factors often differs from country to country where it could be difficult to define the size of businesses precisely. Previous studies, define sizes of the hotel in terms of the number of rooms and employees. Moutinho (1990), Wong (1991) and Buhalis and Main (1998) ascertain small and medium hotel enterprises (SMHEs) as providing less than 50 rooms and employing fewer than 10 staff members. However, Middleton (1998) has commented that approximately 99% of all tourism businesses are small and medium sized enterprises which employ fewer than 250 people.

According to Ingram et al. (2000), a small hotel has up to 50 rooms while a medium sized hotel possesses 51-100 rooms not forgetting large hotels which usually have over 100 rooms. Wood (2001) in his paper classifies businesses with fewer than 50 employees as small and those with more than 50 but fewer than 250 as medium sized.

Morrison (1998); Page et al. (1999); DTI (2003) and Bastakis et al. (2004) have mentioned that small firms dominate the tourism and hospitality industry. For instance with reference to DTI (2003) small hotels and restaurants with fewer than 50 employees represent 83.5% of the businesses in the sector. A similar pattern is expected to appear in every European country (Bastakis et al., 2004). In their studies, Ahmad and Morrison (2004) have cited that in Malaysia, 65 per cent of the total

hotel supplies are small. It is clear that the great majority of tourist facilities are run by small and medium-sized businesses.

### **2.2.2 Factors Leading to Higher Number of Small Hotels**

Referring to studies conducted by Morrison (1996), five factors have contributed to the establishment of a high number of small hotels as outlined below:

- The characteristic of the hospitality industry where the initial capital to start up a small accommodation business is lower than other industries.
- Qualifications and professional requirements related to this sector are necessary but not mandatory (Quinn et al., 1992; Lerner and Haber, 2000; Szivas, 2001).
- The demand for small hotel accommodation is great at a variety of locations and not subject to fulfilling standardized corporate rules. Thus, small accommodation providers can provide a variety of quality range of products, facilities and special services to a niche market.
- A small firm allows an owner/manager to provide effective feedback so that customer needs and expectations are met in an efficient manner. As a result, customer satisfaction can be achieved through personal encounters with guests.
- Small hotels which are often managed by family members can be economically viable. Lower overheads and expenses do not pose a big problem for small hotels because these do not need high profit margins like large enterprises and this is the economic advantage of using family labour. (Lowe, 1988; Getz and Carlsen, 2000; Andriotis, 2002). Nevertheless, the

small hotel owner is likely willing to accept a compromised profit to experience some quality of life (Szivas, 2001).

Many studies done in the past have focused on small and medium hotel businesses. Among the popular demographic profiles discussed by the researchers are gender, race, age, status, level of education, specialization and working experiences (Ahmad, 2005; Ateljevic et al., 1999; Dewhurst et al., 2007; Glancey and Pettigrew, 1997; Getz and Carlsen, 2000; Morrison et al., 2003; Szivas, 2001; Sharma and Upneja, 2005). However, literature on entrepreneur characteristic in hotel industry are not common.

Quite a number of studies have been conducted on the profiles, management and operational analysis of the premises. Among the studies are Buhalis and Main (1998); Friel (1998); Glancey and Pettigrew (1997); Gunn (1994); Li (1997); McGrath (1999); Medlik and Middleton (1973); Morrison and Thomas (1999) ; Mutch (1998) and Page et al. (1999) have done a fair bit of work on this topic. Augustyn and Knowles (2000); Frazier and Niehm (2004); Leong (2001); Medina-Munoz and Garcia-Falcon (2000); Morrison and Teixeira (2004); Sharma and Upneja (2005); Telfer (2001); Tinsley and Lynch (2001) have done groundbreaking and pioneering work on this area.

## **2.3 The Characteristics of Hotel Owner/Managers**

### **2.3.1 Ownership of Business**

Generally small tourism and hospitality businesses operated by owners and families. (Ateljevic et al., 1999). Study in Australia by Getz and Carlsen (2000) have

discovered that more than 96 percent of their respondents are owners of tourism businesses, while the remaining are managers. However in Malaysia, as stated by Ahmad (2005) 59.5% of the small chalets are owned and managed by the same person with the remainder operated by managers.

### **2.3.2 Gender**

In Malaysia tourism and hospitality industry, 81.1% owners/managers are male and this overwhelming domination of the small hospitality industry is due to the influence of culture that considers a man as the family's decision maker (Ahmad, 2005). The same goes for Turkey where according to Avcikurt (2003), nearly 90% of the respondents are male. Even in Australia, 80% of the small firm owners/managers in various industries were male (Morrison et al., 2003). However Getz and Carlsen (2000) have observed that approximately 60% of owners/managers in Australia are female.

### **2.3.3 Age**

According to research, there are different categories of ages of owners/managers involved in tourism sector. In Malaysia and Turkey, the younger owner/managers were found in the industry as can be seen in the table below:

Table 2.3 Different categories of ages of owners/managers involved in tourism sector.

<b>COUNTRY</b>	<b>AGE GROUP</b>	<b>PERCENTAGE</b>	<b>REFERENCE</b>
<b>MALAYSIA</b>	30 – 45 years	45.9%	Ahmad (2005)
	Younger than 30	18.9%	
	Older than 45 years	35.2%	
<b>TURKEY</b>	25 and 50 years	80.0%	Avcikurt (2003)
<b>WESTERN AUSTRALIA</b>	45 and 54 years	41.4 %	Getz and Carlsen (2000)
<b>UNITED KINGDOM</b>	Slightly older than 45 years	77.0%	Szivas (2001)

#### **2.3.4 Educational Background**

Studies conducted by Getz and Carlsen (2000) have discovered that nearly half of the owners/managers in Australia about 42% have high school qualifications while about 34% possess college diplomas and university degrees and approximately 12% have a trade qualification. However in the UK and Scotland, most of the owners/managers are reported to have high school education, about 70% have college certification or higher and about quarter or 24.5% have only secondary level education (Szivas, 2001). In Scotland, 64% of the total respondents have high school qualifications and the other 40% are degree holders (Glancey and Pettigrew, 1997). According to Sharma and Upneja (2005) almost 36.4% of the owners in Tanzania have no industrial training or education beyond basic schooling. Only 22.7% of the owners have an industry certificate, 9% have some other vocational training and 31.8% have non-technical undergraduate or graduate degrees. A similar scenario has been played out in Turkey where more than half of the respondents has less than a four year university level education. (Avcikurt, 2003).