

**SUSTAINABILITY OF SMALL AND MEDIUM BUDGET HOTEL
OPERATORS IN THE EAST COAST OF PENINSULAR MALAYSIA**

by

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LIST OF ABBREVIATIONS

CSFs	Critical Success Factors
ICT	Information Communication Technology
IT	Information Technology
MNCs	Multi National Companies
NSDC	National SME Development Council
SMBH	Small and Medium Budget Hotel
SMEs	Small and Medium Enterprises
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
TDC	Tourism Development Council
UPS	United Parcel Services

KEMAPANAN PENGUSAHA HOTEL BAJET KECIL DAN SEDERHANA DI PANTAI TIMUR SEMENANJUNG MALAYSIA

ABSTRAK

Pelancongan adalah industri yang penting di Malaysia. Pengusaha hotel bajet kecil dan sederhana (SMBH) memainkan peranan penting untuk menyokong kejayaan dalam industri pelancongan. Kajian ini meninjau aspek-aspek kemapanan pengusaha SMBH di tiga negeri di Pantai Timur Semenanjung Malaysia. Antara faktor-faktor yang ditinjau merangkumi latar belakang pemilik/pengurus, ciri-ciri keusahawanan dan juga faktor-faktor pengurusan dalaman dan luaran yang mempengaruhi prestasi perniagaan mereka. Pengumpulan data dilakukan dengan pendekatan pelbagai kaedah 'multimethods' iaitu kajian soal selidik dan temubual bersemuka. Seramai 48 pengusaha SMBH terlibat dalam kajian ini dan hanya enam responden yang bersetuju untuk ditemubual. Kawasan kajian bagi penyelidikan ini meliputi tiga pusat bandar utama di Pantai Timur Semenanjung Malaysia, iaitu Kota Bharu, Kuala Terengganu dan Kuantan. Hasil kajian menunjukkan majoriti pemilik/pengurus hotel bajet ini adalah lelaki, telah berkahwin dan Melayu serta menggunakan sumber-sumber sendiri untuk memulakan dan memajukan perniagaan mereka. Mereka bergantung kepada teknologi moden dan konvensional untuk mempromosi hotel mereka. Selain daripada itu, sesetengah daripada responden juga mempunyai jaringan pemasaran, sama ada dengan kerajaan atau agensi-agensi swasta untuk mempromosi hotel mereka. Dari segi faktor-faktor kejayaan kritikal pula, mereka bersetuju pejabat hadapan dan penginapan tetamu sebagai faktor yang terpenting dalam perniagaan mereka. Pemilik/pengusaha juga mengadu mengenai kesukaran untuk mendapatkan bantuan kewangan dan latihan daripada kerajaan. Mereka juga

berharap kerajaan boleh memainkan peranan yang lebih aktif dalam mempromosi industri pelancongan di Pantai Timur Semenanjung Malaysia.

SUSTAINABILITY OF SMALL AND MEDIUM BUDGET HOTEL OPERATORS IN THE EAST COAST OF PENINSULAR MALAYSIA

ABSTRACT

Tourism is a significant industry in Malaysia. Small and medium budget hotel (SMBH) operators play a significant role to support the success of the tourism industry. This thesis explores the sustainability aspects of SMBH operators of the three states in the East Coast of Peninsular Malaysia. Among the factors explored were the owners/managers demographic profiles, their entrepreneurship characteristics and internal and external management factors influencing their business performance. Data were collected using the multi-methods approach, comprising questionnaire survey and face-to-face interview. A total of 48 SMBH operators were involved in the survey and only six respondents agreed to be interviewed. The localities of the research covered the three major urban centres in the East Coast of Peninsular Malaysia, namely Kota Bharu, Kuala Terengganu and Kuantan. The results show that majority of the owners/managers of the budget hotels were male, married and Malays, and they used their own resources to start and build up their businesses. They depended on modern and conventional technologies to promote their hotels. Apart from that, some of the respondents had alliance marketing either with government agencies or private agencies to promote their hotels. In term of critical success factors (CSFs), they agreed that the front office and guest accommodation were the most important for their businesses. The owners/managers complained about difficulties in getting financial assistance and training from the government. They hoped that the government can play a more

active role in promoting the tourism industry in the East Coast of Peninsular Malaysia.

CHAPTER 1

INTRODUCTION

1.1 Introduction

This thesis touches on the sustainability issues of small and medium budget hotel (SMBH) operators in the East Coast of Peninsular Malaysia. This introductory chapter provides a brief introduction to the research study. The chapter begins with industry background, followed by the problem statement, research objectives, research questions and outline of research methodology of the study. Finally, the chapter ends with the outline of the thesis.

1.2 Industry Background

Small and medium-size enterprises (SMEs) need to play a very crucial role in achieving Malaysia's aspiration to become a fully-developed nation by year 2020 (Foong, 1999). Based on the census conducted by the National Small Development Council (NSDC, 2006), there are 519,000 SMEs business establishment in Malaysia. SMEs in services sector, which includes information and communication technology (ICT), restaurants and hotels form the largest category with 86.5 % of the total SMEs followed by manufacturing sector (7.3 %) and agriculture sector (6.2 %).

Nowadays, the tourism industry becomes an important sector for the country. Tourism has been given serious attention by the Malaysian government since the early 1970s (Din, 1997). The tourism industry gained attention during the downturn of the country's main industries, i.e. tin mining and natural rubber and the dwindling export earnings of these commodities (Hitchcock et al., 1993).

The government started to promote Malaysia since the first and second Visit Malaysia Year 1990 and 1994. Since then, the tourism industry has been a major contributor to the growth of the Malaysian economy. For example, in 1998, tourism contributed RM 8.5 billion and the total contribution increased to RM 49.5 billion in the year 2008 (www.tourism.gov.my). Many campaigns and development projects have been implemented to upgrade places and buildings for the purpose of promoting Malaysia. In addition, the government has allocated a total of RM 448, 032,300 million in 2005 and RM 461,032,300 million in 2006 to fund various promotional and administrative programmes to stimulate the national tourism sector in promoting Visit Malaysia Year (Annual Report, 2005).

In the Malaysian tourism industry, SMBH can be defined as small hotels with three-star rating and below, which include motels, back packers and home stay businesses. In Malaysia, SMEs are measured by the amount of turnover and number of employees. In tourism sectors worldwide, the size of a hotel is defined by number of rooms and number of employees. According to Saaid (2009), Executive Director of Malaysian Association of Hotel Owners (MAHO), the industry is expecting better business for one-star, two-star and budget hotels as tourists are expected to downgrade themselves to lower-star and cheaper hotels. He also said that budget hotels have big potentials for growth in this segment (*Starbizweek*, January 2009).

In 2009, the total number of hotels in the East Coast of Peninsular Malaysia is 523. These include the big hotels and small budget hotels. In the state of Kelantan, the total number of hotels is 81, the state of Terengganu has 157 hotels, and in the state of Pahang there are 285 hotels (www.tourism.gov.my). Most of the hotels are

concentrated in the urban areas because many interesting places and attractions are located near the city areas. Among the main tourist attractions in Kota Bharu are “Siti Khadijah” Market, the Culture Centre, the Handicraft Village, and the Royal Museum; in Kuala Terengganu are the Pasar Payang Central Market, the various handicraft centres, the state museum, Crystal Mosque and Islamic Civilisation Park; while in Kuantan are Teluk Chempedak beach with an interesting mix of modern buildings and charming cottage industries.

1.3 Problem Statement

SMEs play an important role in a country’s economic development (Saleh and Ndubisi, 2006). From the experiences of many countries’, SMEs normally face numerous challenges. For example, Wang (2003) highlighted the challenges faced by SMEs in a globalised environment that include lack of financing, low productivity, lack of managerial capabilities and access to management and technology, and a heavy regulatory burden. In the Malaysian context, SMEs are also facing many similar challenges, which have been highlighted by the APEC survey (1994), SMI Development Plan 2001-2005 (SMIDEC, 2002), Ting (2004), United Parcel Services (UPS) survey (2005) and others. Among the major challenges include lack of access to loans, limited adoption of technology, lack of human resources, and competition from multinational companies (MNCs) and globalisation.

A study by Reynolds et al. (1994) found that among the problems faced by the small business in tourism sector were financial management and liquidity, management inexperience and incompetence, sales and marketing, poor or non-existent of books and records and failure to seek and use expert advice. McKercher and Robbins

(1998) identified start-up problems for small and medium hotels included legal environment, financing estimates, staffing, location, absence of feasibility studies and poor organisation of management structures and little or no outside advice.

In the tourism industry according to Morrison and Thomas (1999), researchers engaged in hospitality management had all but ignored small enterprises or arguably misunderstood their dynamics by treating them as scaled down versions of larger firms. As a consequence, more rigorous research is emerging relating to the management of such organisations and how they engage with the economy.

The East Coast of Peninsular Malaysia is oriented facing the South China Sea. These states are affected by the monsoon season from November to March which caused heavy downpours and flood. It is hypothesised that these SMBH operators will face difficulties in business sustainability due to low occupancy rates.

1.4 Research Objectives

The main objective of this study is to investigate how the SMBH operators can sustain their business throughout the years besides facing monsoon seasons. The specific objectives of this study are:

- ❖ To identify the background of the SMBH operators (how they started the businesses, their demographic profiles and specific entrepreneur characteristics).
- ❖ To identify how SMBH operators manage their hotel businesses (in terms of getting funding and marketing).

- ❖ To identify the critical success factors (CSFs) of SMBH in the East Coast of Peninsular Malaysia.
- ❖ To identify the issues and problems that the premises face (internal and external problems).

1.5 Research Questions

- ❖ What is the background of the SMBH operators and their entrepreneur characteristic?
- ❖ How did the SMBH operators manage their hotel?
- ❖ What are the CSFs of the SMBH?
- ❖ What are the problems faced by the SMBH?

1.6 Outline of Research Methodology

The research adopted both the quantitative and qualitative methods for the sample SMBH operators. The first stage used the questionnaire for SMBH operators and the second stage used interviews for more details. The interview involved only some of the respondents. This research methodology is described in detail in Chapter 4.

1.7 Outline of the Thesis

This thesis is organised into seven chapters excluding the appendix and the references. Based on the outline of the thesis, Chapter 1 touches the background of the research as well as the details of the objectives and purposes of the research. Chapter 2 reviews the literatures involving studies on SMBH operators. Chapter 3 discusses the tourism industry in Malaysia and tourism performance in the East Coast of Peninsular Malaysia. Chapter 4 elaborates the design of the study, data collection and

types of analysis used in this study. Chapter 5 presents the findings, analysis and Chapter 6 present a discussion on the research. Lastly, Chapter 7 highlights the conclusions to the study and recommendations for future research.

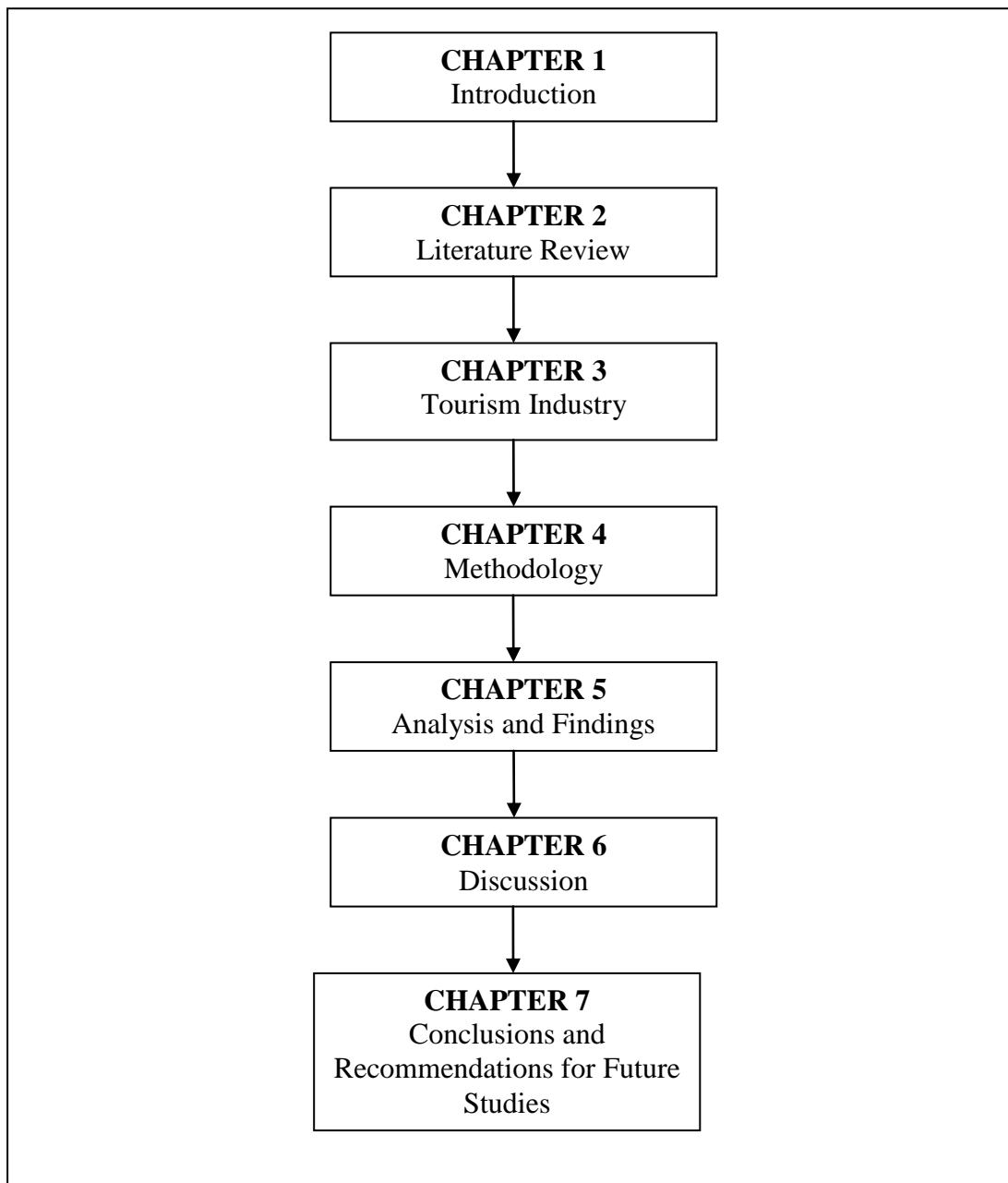


Figure 1.1: Structure of the study

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review on the sustainability in the hotel sector. It also touches the small and medium businesses in the hotel sector. This is followed by the discussions on the hotel owners/managers, their businesses, premises and specific issues and problems related to their survival.

2.2 Sustainability

2.2.1 Sustainable Development

Sustainable development has been defined by the World Commission on Environment and Development as ‘economic development that meets the needs of present generation without compromising the ability of future generations to meet their own needs’ (Vagasi, 2004). According to Liu (2003), the ‘sustainable development’ is more process-oriented and associated with managed changes that bring about improvement in conditions for those involved in such development.

Liu and Jones (1996) also noted that development does not necessarily involve growth but it is also essentially a process of realising the specific social and economic goals which may call for a stabilisation, increase, reduction, change of quality or even removal of existing products, firms, industries, or other elements. Since the late 1980s, tourism development has moved away from economics-oriented development and more towards sustainable development. Sustainable development is, therefore, what the tourism industry of the twenty-first century should strive to achieve (Sirakaya et al., 2001).

2.2.2 Sustainable Tourism

According World Tourism Organisation (WTO) (1998), sustainable tourism is *“tourism which leads to management of all resources in such a way that economic, social and aesthetic needs can be fulfilled while maintaining cultural integrity, essential ecological processes, and biological diversity and life support systems”*. WTO also describes the development of sustainable tourism as a process which meets the needs of present tourists and host communities whilst protecting and enhancing needs in the future. Apart from that, Bulter (1993) described the concept of sustainable tourism as community-based, embraces long-term planning, protects natural and human resources, is manageable in scale by destinations, optimal economic growth, and reflects an ethical treatment of the environment.

Cater (1993) identified three key objectives for sustainable tourism. Firstly, is meeting the needs of the host population in terms of improved living standards both in the short and long term. Secondly, is satisfying the demands of a growing number of tourists, and the third key objective is safeguarding the natural environment in order to achieve both of the preceding aims.

2.2.3 Sustainability and Business Philosophy

In integrating the aspect of sustainable development and sustainable tourism, the literatures suggest adapting the concept of balancing traditional financial goals with environmental and social objectives. The three main principles are economic growth, environment protection and social progress. According to Vagasi (2004), sustainability for a company level should include:

1. Environment principle that is the integration of environmental objectives and actions into strategies, and the implementation of the 'environmental management'.
2. The society principle which includes the integration of stakeholders' interest and implementation of stakeholder management.
3. The principle of economy which means the definition of financial goals and performance with the requirement of harmony between social and environmental objectives. This can lead to the firm's management of corporate social responsibility. One sees the need to adapt the sustainability concept to business has resulted in the concept of corporate sustainability. In tourism business, the concept of sustainability is important to enhance the long term economic goals that would be beneficial to the stakeholders with the great concern on the environment.

2.2.4 Definition of SMEs in the Services Sector

The main characteristic of SMEs is viewed differently from the perspective of their management and decision-making activities. All SMEs start out with the S, small, and then through tireless efforts, struggles, and victories, they get to M, medium. If their success continues, SMEs will become larger, expand in scope and reach, and become dominant players in their industries (Dollinger, 1984, 1985; Brush, 1992; Brush and Vanderwerf, 1992).

Before the formation of the National Small Development Council (NSDC) in June 2004, there was no standard definition of SMEs used in Malaysia. For example, the Small and Medium Industries Development Corporation (SMIDEC) defines SMEs as

enterprises with annual sales turnover not exceeding RM 25 million and with full-time employees not exceeding 150 and Bank Negara Malaysia (Central Bank) defines SMEs as enterprises with shareholders funds of less than RM 10 million. However, in 2005 NSDC introduced a new definition for SMEs in the manufacturing related services, primary agriculture and services sector. The criteria used in defining SMEs are based on annual sales turnover and number of employees (NSDC, 2005). Table 1 shows the criteria used to define SMEs in Malaysia. In relation to tourism industry, according to NSDC (2006), the most related definition can be adopted in the services sector because restaurants and hotels are part of the service sector.

Table 2.1: SMEs definition in terms of annual sales turnover and full time employees according to different sectors

Size	Primary agriculture	Manufacturing (including Agro-Based) and Manufacturing Related Services	Services Sector (including Information Communication Technology (ICT))
A) Annual Sales Turnover			
- 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) Full Time Employees			
- Micro	Less than 5 employees	Less than 5 employees	Less 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

Sources: National SME Development Council (2005), SME Annual Report

2.2.5 Small and Medium Businesses in the Hotel Sector

Small firms dominate the tourism and hospitality industry (Morrison, 1998; Page et al., 1999; DTI, 2003; Bastakis et al., 2004). In the European tourism sector, according to Middleton (1998), approximately 99 % of the businesses are small and medium-sized enterprises employing less than 250 people.

According to the literature in the tourism and hospitality industry, the definition of a small hotel is based on the numbers of rooms and employees. Moutinho (1990), Wong (1991) and Buhalis and Main (1998) defined small and medium hotel enterprises (SMHEs) as enterprises offering less than 50 rooms and employing fewer than ten staff. However, Wood (2001) classified small and medium businesses with less than 50 employees as small and those with more than 50 but less than 250 as medium-sized. Meanwhile, Ingram et al. (2000) defined a small hotel as one having up to 50 rooms, a medium-sized hotel with 51-100 rooms and a large hotel with more than 100 rooms.

Based on tradition, there are four factors that lead to the high number of small hotels (Morrison, 1996).

1. There is relative ease of entry into the sector. It is understood that the initial capital to start up a small accommodation business is lower than in other industries. Specific qualifications and professional requirement related to the sector are necessary but not compulsory (Quinn et al., 1992; Lerner and Haber, 2000; Szivas, 2001).
2. The market demand for small accommodation is high at a variety of locations and not subject to fulfilling standardised corporate rules. Therefore, small

accommodation providers can offer a wide range of products, facilities and special services to a niche market.

3. The nature of a small firm is as such that it allows owner/managers to respond quickly to customer needs and expectations. Customer satisfaction can be achieved through personal encounters with the guests.
4. A small hotel often owned and managed by a family where it can be economically viable. The market seems to be limited, specialised and suited to a firm with low overhead costs and does not offer the high level of profit required by a large enterprise.

In addition to that, according to Lowe (1988), a small hotel is not necessarily a smaller version of a large hotel. Sometimes, the small hotel owner is likely to be willing to accept a compromised profit to experience some quality of life (Szivas, 2001). The management structure, style and approaches in a large hotel are academically right and efficient. However, they are not necessarily applicable or achieve the same results if applied in a small hotel (Ahmad, 2005).

There are many previous studies focusing on small and medium hotel businesses. Among the popular demographic profile examined by the researchers are gender, race, age, status, level of education, specialisation and working experience (Gibb and Ritchie, 1991; Glancey and Pettigrew, 1997; Ateljevic et al., 1999; Getz and Carlsen, 2000; Szivas, 2001; Morrison et al., 2003; Wong and Pang, 2003; Ahmad, 2005; Sharma and Upneja, 2005; Dewhurst et al., 2007). However, from the literature it has been found that studies on entrepreneurial characteristics in hotel industry have not been given the right attention.

There have been many studies conducted on the profile, management and operation of the premises. Among the studies are those of Medlik and Middleton (1973), Kotler (1984), Lewis and Chamber (1989), Glancey and Pettigrew (1997), Li (1997), Hannigan (1998), Buhalis and Main (1998), Mutch (1998), Friel (1998), Morrison and Thomas (1999), Page et al. (1999), Augustyn and Knowles (2000), Medina-Munoz and Garcia-Falcon (2000), Telfer, (2001), Tinsley and Lynch (2001), Leong (2001), Christopher (2002), Morrison and Teixeira (2004), Frazier and Niehm (2004), and Sharma and Upneja (2005).

2.3 The Characteristics of Hotel Owners/Managers

2.3.1 Ownership of Business

Several researchers found that in the tourism industry, the majority of the SMEs are owner operated. It is understood that most small tourism and hospitality businesses are owner operated (Ateljevic et al., 1999). A study by Getz and Carlsen (2000) found that more than 96 % of their respondents were the owners of tourism businesses and the remaining were the managers, who were family members.

2.3.2 Gender

In term of gender, the majority of the owners/managers involved in the tourism industry are male. Morrison et al. (2003) reported that more than 80 % of small firm owners/managers in cross industries survey in Australia were males. According to Wong and Pang (2003), around 60 % of the respondents were males and 40 % were females. However, a study by Getz and Carlsen (2000) found that approximately 60 % of the owners/managers in the tourism and hospitality industry were females. In Malaysia, according to Ahmad (2005) 81.1 % male owners/managers dominated the

small industry due to the influence of culture that considers man as the decision maker in the family.

2.3.3 Age

The dominant age of small business owners/managers is middle age and most of them are reportedly married. According to Glancey and Pettigrew (1997), in the UK the age of the entrepreneurs at the start up venture is 44 years because this is the middle phase of the life cycle. In Australia, more than 40 % were between 45 and 54 years old (Getz and Carlsen, 2000) and in the UK, about 77 % were slightly older than 45 years old (Szivas, 2001). In Hong Kong 57 % of the respondents fell within the age range of 26-35 (Wong and Pang, 2003). Meanwhile, Morrison and Teixeira (2004) found that in Glasgow 68 % of the owner/managers were between 41-60 years old.

2.3.4 Educational Background

In term of educational background, many researchers have found most of the owner/managers have the high school qualification. In a study in St Andrews, about 64 % of the total respondents had high school qualifications and the other 40 % were degree holders (Glancey and Pettigrew, 1997). According to Getz and Carlsen (2000), 42 % of owners/managers in Australia had high school qualifications, about 34 % had a college diploma and university degrees, and approximately 12 % had a trade qualification. Most of the owners/managers in the UK were reported to have high school qualifications, as about 70 % had a college diploma, HND or university degrees and only 24.5 % had secondary school education (Szivas, 2001). Meanwhile, in Tanzania, according to Sharma and Upneja (2005), 36.4 % of the owners had no

industry training or education beyond basic schooling. Only 22.7 % of the owners had an industry certificate, 9 % had vocational training and 31.8 % had a non-technical undergraduate or graduate degree.

2.3.5 Experience

Due to easy entry into the tourism and hospitality business, many owners/managers were reported to have various types of occupation and experience prior their venture into this sector (Ateljevic et al., 1999; Szivas, 2001). For example, about one-third of the owners/managers have had working experience in the tourism and hospitality industry in the UK, while others were from agriculture, retail, education and other sectors (Szivas, 2001). However, in New Zealand, previous job experience in tourism and hospitality was not particularly represented but the most common experiences were related to farming activities and others such as teachers, marketers, builders and carpenters (Ateljevic et al., 1999).

According to Morrison and Teixeira (2004), only 32 % of the respondents worked in relation to the tourism and hospitality industry. Then, some of the owner/managers had obtained experience working professionally in the field of tourism, while other owners/managers had limited or part time experience in hotels, bars, catering and restaurant during their formal education period. Meanwhile, Glancey and Pettigrew (1997) found a large majority (64 %) of the sample have previously held either managerial or supervisory post in tourism industries. Since previous occupations and experience are not a compulsory requirement for entry into the tourism hospitality business, Szivas (2001) concluded that owners/managers learnt the needed skills from on-the-job training.

2.3.6 Courses and Training

According to Forrest (1983), he noted that training benefits the guests, employees and management. Training is essential for managers in running the hotel business. Gap in training of managers can cause a reduction of their efficiency as well as confidence. In addition, Boella (1996) argued many proprietors and managers had no formal training and were unaware of the benefits of training. Many employers are concerned with immediate operational problems and as such, they do not have time to plan ahead.

Generally owner/managers are optimistic regarding the future prospects for their business. However, some of them were reported to have attended formal tourism and hospitality related courses, for example, marketing, management, cooking, hosting and computing courses after starting up the business (Ahmad, 2005). Moreover, during the courses, owners/managers mentioned that they found that the courses provided a good networking opportunity to meet other people with a common business interest (Ateljevic et al., 1999).

Research carried out by Formica and McCleary (2000) suggested that managerial training should be geared to courses related to marketing and human resources. They noted that effective training courses in marketing and human resources as well as other topics may positively influence managers' knowledge and management skills. In addition, Jameson (2000) highlighted the benefit of training in terms of improved communication skill and self-esteem.

On the other hand, according to Dewhurst et al. (2007), several suggested that as a small business they did not need training because they knew their business better than anyone else. Others recognised very specific gaps in their own knowledge (for example general maintenance, web page designing and advertising).

2.3.7 Goals for Starting Business

In a study on small tourism businesses in Victoria, Australia, Bransgrove and King (1996) found that the top goals of owners/managers to start a business were challenge or stimulus, business opportunity, lifestyle and long-term financial gain. However, according to Getz and Carlsen (2000), there were two lesson components related to the desire to have a challenge and meet people (called ‘stimulation’) and ‘independence’. The second major factor is called ‘money’ and most respondents indicated the importance of profitability and financial independence. Nevertheless, findings from this study proved that some of the respondents were in business to make a lot of money.

2.4 Entrepreneurial Characteristics

In the tourism industry, according to Dewhurst and Horobin (1998) there was limited research on tourism entrepreneurship and small businesses. Research on entrepreneurship are lacking in the tourism industry but not in other industries such as manufacturing and retailing. According to Glancey and Pettigrew (1997), while research has focused on large hotel chains, much less attention has been paid to small unaffiliated hotels. Few studies have focused on small hotels as small firms; adopt sound business practices to survive in an industry dominated by large concerns.

An entrepreneur is an important element in building the tourism industry. Entrepreneurs are willing to propose unique ideas to potential partners or to negotiate unconventional deals to get what they want. An entrepreneur is one who undertakes to carry out an enterprise with the entrepreneur and enterprise possibly having the same root. An entrepreneur is any person who starts a business enterprise with the intent on seeing it become successful and working towards that end (Glancey and Pettigrew, 1997).

Tourism entrepreneurship is defined by Koh (1996) and Saayman and Saayman (1997) as activities related to creating and operating a legal tourist enterprise. Legal enterprises refer to those businesses that operate on a profitable basic and seek to satisfy the needs of tourists and visitors. These enterprises include, among others, hotels, guest houses, travel agencies and tour operators.

Timmons (1994) defined entrepreneurship as creating and building something of value from practically nothing. It is the process of creating or seizing an opportunity and pursuing it regardless of the resources currently personally controlled. These people are intensely, directly, creatively and actively involved in the entrepreneurial process creating firms that McCrimmon (1995) described as glorified by independence, creatively, improvisation and rebellious opportunism.

Taxonomy of entrepreneurship begins with the same fundamental premise. All entrepreneurs are not the same (Gartner et al., 1998). Dewhurst and Horobin (1998) provided a comprehensive overview of different perspectives on entrepreneurship in general. Noting an array of academic studies, they broadly classified the

contributions into three perspectives economic, psychological and sociological. Despite these different approaches, their literature revealed how their attempts to identify the entrepreneur (as being different from 'small-business owner' or 'ordinary' manager) are influenced predominantly by an economic conceptualisation of entrepreneurship as characterised by innovation, creativity, risk-taking, leadership and vision. According to previous studies, these characteristics were proven significantly important to the SMEs survival in the business. In the tourism industry, Nieman and Nieuwenhuizen (1997) found that the need of achievement and need of independence is the motivation factor of female entrepreneurs in South Africa.

Motivations for the business fell into two broad groups - those that reflect 'push' factors, redundancy, job insecurity and need for supplementary income, and the 'pull' factors, having a desire to be your own boss, to make high levels of profit, spotting a business opportunity and winding down to retirement. The majority of the samples, that is around 65 %, exhibited pull factors, which provided evidence in support. The sample generally displayed characteristics and motivations associated with opportunistic entrepreneurs. The objectives pursued by entrepreneurs could also be differentiated into two broad groups', namely, personal objectives, such as providing a livelihood, maintaining quality of life or lifestyle, and business objectives, such as building a profitable enterprise, growth and building up a reputation for quality service (Glancey and Pettigrew, 1997).

Key descriptors of the entrepreneur include risk-taking, innovation, creativity, alertness and insight (McMullan and Long, 1990; Cunningham and Lischeron, 1991). Ho and Koh (1992) suggested that self confidence is a necessary entrepreneurial

characteristic and is related to other psychological characteristics, e.g. locus of control, tolerance of ambiguity and propensity to take risk. Entrepreneurs need to have this quality since they are expected to possess a sense of self-esteem and competence in conjunction with their business affairs. This factor also corresponds to the results of the studies conducted by Dubini, (1989), Shane et al. (1991) and Birley and Westhead (1994).

Independence means bringing new ideas and undertaking risks. Without independence, there will be no innovation or improvement (Chen et al., 2005). An entrepreneur needs creative and independent thinking to bring in new idea and undertake risks. Jun et al. (undated) define pro-activeness as the ability to take initiative whenever the situation demands. Proactive behaviour refers to the relationship between individuals and the environment, whereby the result from their behaviour will influence their own environment.

Need of achievement motivation is one of the most popular theories used to measure entrepreneurial characteristics. McClelland (1961) was the first person to establish this theory and his research on need of achievement initiated many studies on characteristics of the entrepreneur. Studies by previous scholars initially indicate that successful entrepreneurs have high need of achievement (McClelland, 1961; Koh, 1996; Jaafar et al., 2004) and are more entrepreneurially inclined than the non-entrepreneurs (Robinson et al., 1991a; Robinson et al., 1991b). The entrepreneurial need for achievement was first identified by McClelland in his work on economic development (Dollinger, 1995). Achievement motivation is defined as the need to

achieve success in competition with some standards of excellence (Elias and Pihie, 1995).

Risk-taking propensity is defined as the perceived probability of receiving rewards associated with the success of a proposed situation, which is required by an individual before he subjects himself to the consequences associated with failure, the alternative situation providing less reward as well as severe consequences than the proposed situation (Brockhaus, 1980). Such a definition might best describe the situation that faces the potential entrepreneur when he decides to establish a new business venture.

Schumpeters (1934) described entrepreneurial innovation in terms of introducing new products or methods or productions, opening new markets or new sources of supply, or reorganising industries. Gartner (1990) in his paper characterised innovation as doing something new as an idea, product, service, market or technology in a new or established organisation. Innovation and venture always go together with failure, but failure is the mother of success. Learning from failure is a significant source of innovation and new business (Chen et al., 2005). Results from Chen et al. (2005) indicated that ability to learn from failure is one of the important traits that should be cultivated in entrepreneurs.

2.5 Hotel and Premises Management

2.5.1 Ownership

Referring to Morrison and Teixeira (2004) on their study in the UK, 54 % of the length of time in business ownership was less than 5 years, 18 % with less than 10 years and another 18 % with less than 20 years. For the status of premises, according

to Getz and Carlsen (2000), sole proprietors accounted for 14.4 %, 9.7 % for a partnership of two or more family members, 5.6 % for limited company, 1.6 % for partnership including family members and 2.5 % for others.

Ownership structure of the businesses is skewed towards sole-proprietorships that represent 59 % of the total surveyed businesses. Of the remaining, 23 % are partnerships and 18 % are privately held companies. The average operating age of these businesses is three years (Sharma and Upneja, 2005).

2.5.2 Financial Aspects

To start up business in small and medium hotels, financing is commonly provided through their own funds or a local bank. There are three main sources of finance used by the entrepreneurs. According to Glancey and Pettigrew (1997) study in the UK reported own funds (34 %), bank lending (20 %) and a combination of both (46 %) as the financial sources. These findings were according to Hankinson's (1990) sample in terms of financial sources.

According to Sharma and Upneja (2005) in a study in Tanzania, small and medium hotel owners/managers also use three finance sources to start up business. Over 70 % of finance required for start-up capital comes from personal savings. This source fund is important because not much money is needed to build a small hotel in the tourism industry. Sometimes if the owners do not have enough personal savings, they will get the source from family and friends. This is the second most popular source of financing. A bank loan appeared as the third most likely source of start-up finance.

The most favoured source for raising working capital finances is through internal funds.

According to Morrison and Teixeira (2004), the owners/managers agreed that although it was relatively easy to raise borrowed funds for expansion, paying them back was difficult and added financial pressure to run a business. Furthermore, according to Sharma and Upneja (2005), access to bank financing is a challenge for these businesses. Bankers perceived these to be a risky business due to lack of expertise of the owners or operators and high sensitivity to volumes. Bankers suggested that most investors are unable to present proper financial statement or business plan due to lack of professionalism in projects.

2.5.3 Marketing

2.5.3 (a) Marketing Technique and Networking

Marketing in small firms has received growing attention in recent years (Friel, 1998). Morrison and Thomas (1999) suggested that significant management issues that confront small hospitality firms include marketing, strategic management and growth, information technology (IT) and entrepreneurship.

To overcome such pressure, Page et al. (1999) suggested that small firms should become members of tourism organisations and other business associations. Collaboration between a tourism firm and other tourism business and organisations has to be unified in the development strategies involved in tourism destination (Augustyn and Knowles, 2000; Medina-Munoz and Garcia-Falcon, 2000; Page et al., 1999; Telfer, 2001; Tinsley and Lynch, 2001).

According to Frazier and Niehm (2004), small firm owners/managers use this networking as a source of knowledge for improving operations and the marketing strategies of their respective firms. This may provide different resources and served as an opportunity for small firms as in the case of a strategic alliance between a trade organisation and government organisation which led to the tourism development in Niagara (Telfer, 2001).

2.5.3 (b) Technology Marketing

Meanwhile, hotel businesses are increasingly making use of IT to reach out to potential clients in the quickest and most effective methods. Through increased worldwide access, hotels can define new paradigms for electronic commerce and enable, facilitate, sustain, and reward interactions between consumers and hoteliers. Hotels can exploit the potential markets by having a website that promotes and markets their facilities and outstanding features (Leong, 2001). Mutch (1998) agreed that small hospitality firms can gain significant benefit from similar IT applications.

Based on his research in tourism industry, he concluded that the growth of one particular country holidays company can be partially attributed to its careful management of information needs and the appropriate use of technology. The technology used is inappropriate and reorganisation of manual systems in the light of an enhanced awareness of information needs may well prove to be more productive (Morrison and Thomas, 1999).

However, Li (1997) found that technology was under-utilised in many SMHEs. A survey of 153 small companies in the USA indicated that small establishments were