

THE COMPETITIVENESS OF NATIVE ENTREPRENEURS IN ISLAND TOURISM BUSINESS

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Abstract: The community of tourism-based entrepreneurs who were native to the several islands at the west coast and east coast of peninsula Malaysia often did not have access to information on the government's local infrastructural development projects. They were not capable of measuring up with mega projects and the large development capacities associated with them. A questionnaire survey was conducted to assess their competitiveness on the basis of several variables such as self-management system, organisational management, business networking, and marketing strategy. It was found that many entrepreneurs set up a variety of ancillary tourism businesses. Many entrepreneurs reported earning substantial revenue and increased in asset ownership from their business hence confirming the prevalent believe that the tourism sector creates business opportunities that could raise the standard of living of the local community. Most entrepreneurs did not apply computer technology in their business, thus missing a powerful means of achieving operational efficiency. The entrepreneurs networked with high quality suppliers who provided excellent service. Many entrepreneurs in Perhentian, Tioman, and Pangkor did not require nor receive political assistance to support their business. They possessed the necessary skills and competencies to run their business and ensure its survival. They however needed a support system that provides good services.

INTRODUCTION

The business and entrepreneurial activities of the various ethnic groups in Malaysia, especially amongst the Malays, have long been initiated especially after the introduction of the country's New Economic Policy (NEP) in 1970. The policy had a purpose of achieving 30% equity ownership amongst Bumiputera citizens, those whom the government regarded as native to the country. At that time, equity ownership was dominated by Chinese Malaysians. Prior to that, the number of Malay entrepreneurs was comparatively small. They were still amateurs in business hence were having difficulties in establishing a market position for themselves. Although the NEP was formed a long time ago to increase the equity ownership of the Malays, their representation was still well below expectation.

Tourist islands in the country were transforming from a fishing economy to trading and service economies where global tourism industry was a major sector. The native entrepreneur community in the islands often had to endure inadequacy problem due to the poor standard of infrastructure, lack of information on the

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latest development projects, and rapid pace of change. They felt excluded and not benefiting from the island's physical transformation. For example when one island was declared a free trade zone, only a small fraction of the local community realised its real benefit while migrant entrepreneurs made good by taking advantage of the enormous opportunities that came along. Some local area plans involved high-capacity mega-development projects that turned away native Malay entrepreneurs because they did not possess sufficient resources to match the required capacities. They lacked the capital, experience, and networking to exploit opportunities and compete with well-established migrant entrepreneurs.

The purpose of the research was to evaluate the competitiveness of entrepreneurs who were native to several tourist islands in Malaysia. Consequently, the research explored on relevant indicators of competitiveness, namely, business variety; income; asset ownership; self-management system; organisational management; business networking; political assistance; marketing strategy; and vision, mission, and aspiration. Four islands were selected for the study, three on the east coast of west Malaysia (i.e., Perhentian, Redang, and Tioman islands) and one on the west coast (Pangkor Island).

Business competitiveness could be defined as a series of activities that relate to some hypothesised criteria or determinants of a firm's performance such as marketing, product innovation, production operation, and human resource development (Nor Aini and Goh Lea Koon, 2004). According to Wan Liz Ozman and Suzalri Mohamed (2002), competitiveness covered three main aspects, namely, market, production, and economy. In terms of variable relationship, Waheeduzzaman and Ryans (1996) identified various perspectives of competitiveness, namely, its comparable benefit, value-price relationship, strategy and administration, history, and socio-culture. They further argued that competitiveness could either be an independent variable or dependent on other variables.

In their social model, Davidson and Honig (2003) identified three groups of indicators that influenced entrepreneur competitiveness, namely individual, organisational, and "other indicators." Individual indicators included family background, encouragement from friends and family, involvement of friends and neighbours in business, and marriage. Organisational indicators included collaboration with business societies and interaction with support industry, research agencies, and customers. "Other indicators" included interaction with relevant agencies and involvement with voluntary or charity activities. Abdul Razak Dan, Mohd Nasir Mohd Sukani, and Noorsiah Sulaiman (2004) suggested that the makeup of the social model comprises of civic relationship, community involvement, and level of trust. Turismo (cited in Crouch and Ritchie, 2005) provided a model of the dimensions and variables influencing the competition of tourist destinations. They were business development and expansion; the entrepreneur; internal process;

definition of the system and organisation; strategic relationship with external publics; marketing; and philosophy, values, and vision.

The tourism industry was one of the most important industries that contributed to the country's economy in terms of accumulation of foreign currencies, revenue generation, balance of payment, workforce utilisation, development of support industries, and regional development (Yahaya Ibrahim, 2014). Travel and tourism contributed to increased activities in hotel sub-sector, venture and travel, retail, restaurant, and transportation (World Travel Tourism Council, 2016). The total contribution of travel and tourism to GDP was MYR121.6 billion in 2009 with a growth rate of 11.2%. In 2014, the total contribution increased to MYR161 billion in 2014 (5.0% growth) and was forecast to increase to MYR262.2 billion in 2025 (4.5% growth). The total contribution of travel and tourism to employment was MYR1477.7 billion in 2009, with a growth rate of 17.2%. It increased to MYR1709.9 billion in 2014 (1.8% growth) and was forecast to increase to MYR2489.1 billion in 2025 (3.2% growth). The tourist arrival was 23.65 million in 2009 and 27.44 million in 2014 (Tourism Malaysia, 2016) and is expected to be 38.75 million in 2020 with a growth rate of 7.4% (BMI Research, 2016).

There was a wide opportunity for everyone to invest in tourism. Those who were politically influential and owned large capital resources had the extra advantage of easing and speeding up development process. That had created an imbalance phenomenon between the traditional and modern sectors in the islands although the local communities were invited to participate and be directly involved in their transformation. However, they were more comfortable with their traditional mode of living and passively witnessed the government's large-scale transformation and development projects. They stood helplessly and were overwhelmed by the turn of events and eventually fell by the wayside. Hence, although every year there had been significant growth in the number of native island entrepreneurs in Malaysia, nevertheless, their lack of resilience and competitiveness contributed to many business failures (Yahaya Ibrahim, 2014).

METHODS

A questionnaire survey of entrepreneurs who were native to the islands was carried out to evaluate their competitiveness on the basis of several variables, namely, business variety; income; asset ownership; self-management system; organisational management; business networking; political assistance; marketing strategy; and vision, mission, and aspiration. Twenty-three entrepreneurs were surveyed in Perhentian, 17 in Redang, 42 in Tioman, and 30 in Pangkor. Their businesses included chalet and boat rental, souvenir shop, food outlet, materials supply, retail outlet, and travel agency. Variable frequency and percentage of occurrence (for number of cases exceeding 30 and less, respectively) were used

to demonstrate similarities and differences in competitiveness amongst the island entrepreneurs.

RESULTS AND DISCUSSION

The results of the survey are as follows:

Business Variety

The entrepreneurs in Perhentian and Redang might participate from amongst several types of tourism-related business, including chalet or resort business (e.g. 9 in Perhentian and 15 or 49.5% in Pangkor), boat rental service (e.g. 9 in Perhentian and 4 in Redang), and travel agency (e.g. 6 in Perhentian), which were the more apparent ones. Others were apparel store, equipment rental, food outlet, grocery store, supplies store, souvenir store, handicraft store, taxi service, and internet centre. Several entrepreneurs (e.g. 9 in Perhentian) established chalet or resort business or boat rental service (e.g. 9 in Perhentian and 4 in Redang). Both types of business accounted for a large number of combination businesses in Perhentian (the combination businesses in Redang were between food outlet and boat rental or souvenir shop and car rental).

In Tioman, the rate of growth amongst businesses (computed from the point of business start-up to the time of the survey) varied with the type of business. Equipment rental business showed a positive growth (in ownerships), i.e., 2.3%; from 16.7% to 19.0%. Static growth was recorded for ownership of food outlet (28.6%) and bakery (2.4%). Negative growth was recorded for boat rental service (4.7%; 21.4% to 16.7%), souvenir shop (2.3%; 7.1% to 4.8%), and chalet rental business (3.2%; 57.1% to 54.8%).

Income

The minimum monthly income of Perhentian entrepreneurs ranged from RM12,500 to RM50,000; the income mode was of RM33,000 (26.1%). The minimum income in Redang was RM1,000 to RM120,000; the maximum was RM2,500 to RM160,000. Only family income data were available for Tioman. They ranged from RM1,100 to RM2,000. The average income in Pangkor was RM15,000. Most had a maximum income between RM15,000 to RM150,000.

Asset Ownership

Entrepreneurs in all the islands experienced increase in asset ownership after starting business. For Perhentian, the assets included land (increased by 17.4%), car (17.4%), house (8.4%), shop (4.4%), and motorcycle (4.3%), in descending order. Business had helped Redang entrepreneurs raised their socio-economic status. There was a significant increase in house, car, and boat ownership but not chalet ownership.

Land ownership was stagnant and there was hardly any increase in other fixed assets. Their types of business did not require fixed-asset ownership but it sufficed to operate with rented properties.

Self-Management System

Many entrepreneurs attended short business courses such as management, marketing, and accounting prior to commencing business. Twenty-one entrepreneurs in Perhentian and every Redang entrepreneurs were involved in making decisions for their business on many business areas, including operations, finance, marketing, and human resource. There were limited to moderate applications of business computing on operations, which could be marketing, bookkeeping, business promotion, database development, letter writing, mail management, and payroll processing. Only a small fraction of businesses in Perhentian and Redang owned an official website ($n = 9$ and $n = 4$, respectively) compared to Tioman and Pangkor (35.7% and 33.3%, respectively). The website might be intended to promote products, manage online reservations, and handle enquiries. A small number of entrepreneurs planned to develop their business webpage (e.g. 5 individuals in Perhentian, 9 in Redang, 19% in Tioman, and 26.7% in Pangkor), indicating that they needed to be technologically efficient and competitive to ensure business success while others remained adamant.

By and large, there seemed to be a delay in the issuance of business license to the entrepreneurs (e.g. 9 individuals in Perhentian received their license within 3 to 5 months; and 2 individuals had to wait more than a year). Sixty percent of entrepreneurs in Pangkor said they found it burdensome to have to wait a long time for their license. Many entrepreneurs in Perhentian ($n = 11$) said that they endured a moderate business risk while 40.5% of entrepreneurs in Tioman and 56.7% in Pangkor however regarded business risk as high to very high. Tioman and Pangkor entrepreneurs would use various means of protecting against business risk, including fire-fighting equipment (33.3% of entrepreneurs in Tioman), insurance cover (16.6% and 33.3%, respectively) business saving (4.8% in Tioman), business loan (4.8% and 3.3%, respectively), prudent spending (4.8% and 3.3%, respectively), stock investment (2.4% in Tioman only) and high-quality equipment (33.3% in Pangkor).

Efficiency in Organisational Management

Most entrepreneurs in Perhentian ($n = 20$; 11 in Redang) provided fringe benefits to their employees, including free meal at the workplace ($n = 14$), transportation ($n = 15$), accommodation ($n = 15$), medical benefit ($n = 8$), and insurance cover ($n = 6$). Many ($n = 15$) provided incentives to reward high performers such as bonus pay ($n = 12$), special gift ($n = 9$), off day ($n = 2$), excellence award ($n = 1$), and salary increase ($n = 1$). Many Tioman entrepreneurs provided workplace incentives

(47.6%) and amenities (78%) while 46.7% of Pangkor entrepreneurs paid out bonus to motivate their staff.

Most Perhentian entrepreneurs recruited experienced employees who formerly worked for boat rental and chalet/resort operators. Many entrepreneurs in Redang ($n = 12$) employed their family members only. They believed that they had provided their family members the means of earning a living especially when job opportunities were scarce. Furthermore, the entrepreneurs lacked capital and had issues concerning socio-cultural influence on people's behaviour. They also anticipated that they would have a problem in trusting and communicating with employees who were non-familly members.

Recruiting family members who predominantly were not highly skilled did not contribute favourably to business performance. Three entrepreneurs employed local employees while two others employed outsiders. None of the entrepreneurs employed foreigners. Job vacancies were not advertised in the newspapers nor were employment agencies consulted. Information about job vacancies were circulated via words of mouth. Potential candidates attended walk-in interviews.

Only one Perhentian entrepreneur believed that employees' work performance was very high. Others said that it was high ($n = 11$), moderate ($n = 8$), or low ($n = 3$). Many Redang entrepreneurs ($n = 8$) rated the level of employee performance as "high" while five others rated it as very high. A number of entrepreneurs in Perhentian ($n = 8$) provided internal training while only one provided external training to their employees. Relatively few entrepreneurs in Redang ($n = 6$) provided on the job training as the only type of training to their employees. Most Tioman entrepreneurs (95.2%) and many Pangkor entrepreneurs (63.3%) strived to be competitive by training their employees with the necessary skills, which lead to improvement in their quality of work. Worker turnover was a normal phenomenon that Perhentian entrepreneurs had to bear. Many Redang entrepreneurs were confronted with employee shortage, low quality employees, high recruitment cost, and employee turnover.

Many Perhentian entrepreneurs initiated various efforts to increase their competitiveness, including renovating their business premise ($n = 9$) and increasing product and service variety ($n = 14$). Ten entrepreneurs in Redang planned similar approaches to continually improve their business. Perhentian entrepreneurs were very certain about the influence of organisational management on productivity.

Ability to Perform Business Networking

Every entrepreneur in Perhentian, Tioman, and many in Pangkor developed business network with organised stakeholders. The networking had helped them to promote their business and expand the market. For example, Perhentian entrepreneurs would obtain their supplies from Malay and Chinese vendors ($n = 7$ and 11, respectively); engaged the service of travel agencies ($n = 7$); and received various support services

and assistance from the government ($n = 9$). Such relationships also provided the opportunity to Tioman and Pangkor entrepreneurs to obtain business loans and enrol in courses to gain useful knowledge and skills in management, operations, finance, and human resource management.

Seven Redang entrepreneurs obtained their supplies from outsiders. Many ($n = 7$) were privileged with credit purchases from their suppliers; a service that was crucial with fast-moving goods. Some could negotiate the price of supplies, although the supplier had the upper hand in deciding the final price. Seven entrepreneurs traded with Malay suppliers only. Redang entrepreneurs indicated that they could choose from a large choice of suppliers and that they were satisfied with their quality. However, the suppliers had been enduring the difficulty in transporting goods from the mainland to the island during the monsoon season when the sea was exceptionally rough.

Independence from Political Assistance

The majority of entrepreneurs in Perhentian ($n = 16$) indicated that they did not depend on political assistance to give their business the extra mile. Almost all Perhentian entrepreneurs ($n = 22$) and many Tioman and Pangkor entrepreneurs (95.2% and 60%, respectively) believed that political intervention was not crucial in ensuring business continuity. They were highly competitive since they could rely on their own skills and intelligence to improve their business. Many Pangkor and Tioman entrepreneurs (73.8% and 40%, respectively) indicated that their business did not require direct political assistance. Pangkor entrepreneurs indicated that they were able to chart the destiny of their business venture through effective business skills and tireless effort. Several Perhentian entrepreneurs ($n = 6$) however believed that political assistance was necessary for creating business stability and promoting their business.

The situation was different in Redang: five entrepreneurs indicated that political conernance did not exist in the area where they conducted their busines; three entrepreneurs indicated that political intervention did not help their business in any way; and two entrepreneurs indicated that it was unnecessary. Quite a number ($n = 5$) however, believed that political assistance benefited them in terms of business promotion and business stability. One chalet operator said that he managed to get a good business location through political intervention.

Efficiency of Marketing Strategy

Several Perhentian and Redang entrepreneurs implemented various marketing strategies to attract tourists. Advertising was one of the major strategic choices where messages were channeled through print media such as pamphlets or banners ($n = 4$), newspapers ($n = 1$), and magazines ($n = 1$). Many Perhentian entrepreneurs ($n = 8$) practised word of mouth advertising or customer recommendation as well. Other

marketing strategies included internet marketing and upward integration involving travel agencies ($n = 6$). Many entrepreneurs ($n = 10$) believed that customer service was the main factor that attracted tourists apart from business location ($n = 9$), price, and business facilities ($n = 7$). Other than those strategies, Perhentian entrepreneurs did not develop a comprehensive promotional programme since they were dealing with small scale businesses, e.g. food outlet, grocery, or souvenir stores. Those enterprises were usually concerned with basic factors such as location, tourism facilities, and product price. Many entrepreneurs ($n = 11$ in Perhentian and $n = 8$ in Redang) offered price discount to gain business competitiveness.

Many Redang entrepreneurs (28.6%) met their disgruntled guests in person to overcome their dissatisfaction with the service provided. One entrepreneur fulfilled customer needs through adequate facility maintenance and one entrepreneur negotiated product price with them. Entrepreneurs in Tioman and Pangkor impressed their customers through excellent priority service. The management of one resort in Tioman, for example, held a barbeque party for their guests' on their final night at the resort to make them feel valued. They also built a private jetty to allow boats to dock near the vicinity of the resort. The facility provided customer convenience since the other jetty was located miles away. The entrepreneurs in Tioman and Pangkor implemented pricing and promotional strategies to attract customers during off-season. Two resorts, for example, offered a price discount of 20% to customers who stayed during the monsoon season. Many resort owners in Pangkor offered price discount to long-staying guests.

Clarity of Vision, Mission and Aspiration

The majority of entrepreneurs in Perhentian and Redang ($n = 20$ and 14 , respectively) conducted business on weekends. Not many businesses were operating for 8 hours (e.g. 5 in Redang) or more (e.g. 6 in Redang and 3 in Perhentian). A major exception was seven establishments in Redang that were opened twenty-four hours a day. Business operation time varied depending on the type of business; for example restaurants usually served food well into the night but boat rental services were only available during the day. Overall, the Perhentian business community were forward thinking; many ($n = 19$) had a positive attitude towards expanding and continuously improving their business (83% for Tioman and 56.7% for Pangkor). Inclusive in their business plans were spatial expansion ($n = 7$), strategic plant relocation ($n = 7$), business development ($n = 5$), increasing employment, and branch extension ($n = 3$). Many Tioman and Pangkor entrepreneurs also planned to renovate their business premise. Redang entrepreneurs generally had a heightened awareness to maximise their business performance and getting to grips with strong competition.

The promise of a higher income had driven many Redang entrepreneurs ($n = 11$) to venture into business. Others became an entrepreneur by choice to earn a higher income ($n = 11$ 63.4%), gain individual freedom ($n = 5$), exploit available

opportunities ($n = 9$), and experience the excitement of overcoming business challenges ($n = 4$). Six entrepreneurs perceived that the profession was consistent with their personality and widened their horizon to include tourism business.

Redang entrepreneurs were interested in tourism-based business venture because it gave them the opportunity to be self-reliant. According to Yahaya (2006), career opportunities in the tourism sector was the main factor that could improve the socio-economic condition of the local community who were mainly small-scale fishermen. However, as a prerequisite to that, entrepreneurs needed to be good at what they did. However, from the survey, only six entrepreneurs indicated that they were highly or very highly skilled in running business operations. The majority of entrepreneurs in Tioman (83.3%) and Pangkor (56.7%) planned to improve their business continuously. Inclusive in their vision were plant renovation and expansion and new plant development.

CONCLUSION

Native entrepreneurs in several islands in Malaysia set up a variety of ancillary tourism businesses such as chalet, boat, and car rental services; souvenir shops, grocery stores, food outlets, apparel shops, taxi service, and internet cafes. The entrepreneurs' annual income ranged from as low as RM12,500 to RM160,000. The level of income in Tioman was very low and the lowest amongst the islands. Hence a future research may address the viability of businesses run by the natives of Tioman. Entrepreneurs in all the islands reported increased in asset ownership (house, car, etc.) hence confirming the prevalent believe that the tourism sector creates business opportunities that could potentially raise the standard of living of the local community.

Many entrepreneurs attended training courses to gain knowledge and skills in business that were crucial for managing their enterprise. However, while many Tioman and Pangkor entrepreneurs invested in their people by providing skills training to them, Perhentian and Redang entrepreneurs were less enthused. Many enterprises developed skilled employees through internal training. Most entrepreneurs shied away from using the computer technology in their business, thus missing a powerful means of achieving operational efficiency. Most entrepreneurs were involved in making decisions that affected their business performance. The entrepreneurs networked with high quality suppliers who provided excellent service and charged reasonable price. The suppliers also helped them to promote their business and expand their market.

Many entrepreneurs in Perhentian, Tioman, and Pangkor, did not require nor received political assistance to support their business. They already possessed the necessary skills and competencies to run their business and ensure its survival. They however needed a support system that provides good service such as timely information on government's local transformation programme and physical

developments, fast issuance of business licence, and suitable training on the rudimentary aspects of business computing and competitive strategies. Some entrepreneurs were marketing oriented; they implemented various promotional activities, offered price discounts, and provided excellent customer service. The majority of entrepreneurs envisaged that their business processes would continuously improve. They proposed various improvement strategies such as business relocation, spatial expansion, and business and market development. Other strategies included recruiting more workers, renovating the physical accommodation, and extending business operation times. The outcome of the exploratory study sets the stage for an empirical research to measure the influence of competitiveness on the socio-economic well-being of entrepreneurs who are native to Malaysia's tourist islands.

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