

SMALL FIRM NETWORK IN
TOURISM AND HOSPITALITY:
CHALET FIRMS AND ITS OWNER-
MANAGERS NETWORKS

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A thesis submitted in fulfilment of the requirements for the Degree of
Doctor of Philosophy at the University of Strathclyde

(Discipline: Tourism Studies)

2005

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Acknowledgements

Thanks God for giving me the spiritual guidance and strength to complete this thesis. In the course of completing this research, I would like to thank a number of individuals from whom I received a great deal of support.

Firstly, a thousand thanks to Professor Alison Morrison; not just for her guidance, invaluable advice and constructive comments, but also for her patience in supervising my work over such a long three and a half year period.

A million thanks to my wife, Rokilah for her understanding, continuous support and encouragement despite having to stay thousands of miles away. To my daughter, Tasneem, a thousand thanks for her tolerance too. They both sacrificed a lot of precious family quality time.

Many thanks to my sponsor Unimas which has provided me with this opportunity through financial support and study leave, without which this thesis would not have been completed.

I wish to thank all chalet owner-managers at Pulau Tioman, Cherating, Marang and Pulau Perhentian for their time, views, insights and participation in this research.

Finally, my appreciation to friends, particularly at The Scottish Hotel School who have given support, and shared the knowledge, the joy and the pressure of this research work. I am grateful to have known and worked alongside you all.

Abstract

Firms participate in network relationships with others to access resources that are not otherwise available. The resources may consist of goods, services, information, advice or support. This flow of resources into a firm has the potential to enhance the capability of a firm to react to the external competitive environment. Generally network relationships can be formal and/or informal. For a small firm, a network is more likely to be informal and have social links with individuals such as family, friends and acquaintances. This thesis investigates the network features and networking activities of small tourism and hospitality firms. The context of the research is that of owner-managers of chalet accommodation firms located at coastal and island destinations in the east of Peninsular Malaysia. Thirty-seven chalet owner-managers were interviewed face-to-face, using standardised interview questions and procedures, and case protocol. The research found that chalet firms were set-up mainly for economic motives rather than for lifestyle motives. The networks are composed of family and ethnic links and predominantly bounded by specific localities such as the 'village'. Informal ties are with those with a common interest in tourism products and services within a destination. The networks' contacts for business and social purposes consist of the same people. They represent less diverse, low cost and low maintenance networks. Chalet owner-managers became attached to family for financial reasons and to friends for other matters throughout their business life. This was due to the trust that was built up through the years of the relationship, which led to strong ties. The main reason for networking with the contacts was to exchange ideas, advice, and help. The local culture and religious beliefs have some influence in the selection of network members, network content and networking motivation as well as become guidelines in the networking activities.

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Chapter 1

Introduction

1.1 Introduction

The objective of this chapter is to provide an introduction to the thesis as a whole.

The scope of the research is presented in order to provide an insight in to the research focus, context and the key objectives. The strategy used to conduct this research is briefly discussed. Finally, the organisation of the thesis is presented.

1.2 The scope of the research

Chalet accommodation is usually located at rural destinations near a hill, or by the lake or near the beach. Historically, the word 'chalet' originated in the Swiss Romande language and means 'a high mountain dwelling'. They existed in the Alps for centuries as seasonal farmhouses but were turned into accommodation in the 1930s when people started to become interested in sporting activities (MSC 2004). However, most of the chalet accommodation in Malaysia is found in the seaside villages on the islands or at the coast of the peninsula (Figure 2.2). Beach chalets were generally constructed out of wood on stilts and they often faced the sea to maximise the benefits of the breeze and sun. There are many types of chalets but usually they are built in a singular unit and come with a small balcony, and many of them are equipped with an air-conditioning unit due to the warm climate. Figure 1.1 shows an example of a seaside beach chalet.

Figure 1.1: A seaside beach chalet



The focus of the research is on the small tourism and hospitality firms that form the chalet accommodation sector at destinations on the east coast of Peninsular Malaysia. The small accommodation firms that are categorised by the 'orchid rating' represent two-thirds of the country's hotel supply (Section 2.6). The orchid rating is the classification for budget accommodation that includes budget hotels, tourist hostels, holiday camps, guesthouses, chalets and homestay programmes categorised by the Malaysian Ministry of Tourism (MOCAT 2004). The other category of classification is the 'star rating' for business class and luxury accommodation. Two hundred examples of this type of small accommodation are in the chalet sector, and every 2 out of 3 chalet firms are found on the islands and in coastal villages on the east coast of the peninsula (Section 5.5). The islands are Pulau Perhentian, Pulau Redang and Pulau Kapas in the State of Terengganu; Pulau Tioman in Pahang; and Pulau Sibul, Pulau Besar, Pulau Pemanggil, Pulau Tinggi and Pulau Aur in Johor;

while the coastal villages are Marang in Terengganu; Cherating in Pahang; and Air Papan and Penyabong in Johor (Figure 2.2). However, the context for this research is chalet firms operating at Pulau Perhentian, Pulau Tioman, Marang and Cherating. The areas selected did not represent the major concentration of chalet accommodation but were areas that were involved in this sector (Section 2.7 and Section 5.5). Table 1.1 shows the distribution of accommodation firms and room supplies in the study areas.

Table 1.1: Accommodation firms in the study areas

<u>Area</u>	Chalet		Hotel/Resort	
	<u>No. of firms</u>	<u>No. of Rooms</u>	<u>No. of firms</u>	<u>No. of rooms</u>
Pulau Perhentian	48	706	3	277
Marang	8	109	2	73
Cherating	17	412	3	494
Pulau Tioman	70	1746	1	200

Sources: Terengganu Hotel and Resort (undated); Tioman Development Authority (undated); MOCAT (2002)

Chalets dominate the accommodation sector in the study areas (Table 1.1).

However, the chalet sector provides far fewer rooms than the hotel/resort firms. The number of rooms supplied by each chalet firm ranges from between 4 and 66, but mostly less than 25 rooms (Terengganu Hotel and Resort undated; Tioman Development Authority undated). It is understood that a chalet firm is owned and managed by an individual proprietor or a family. The development of tourism within

the study areas has changed the source of income for many households from farming and fishing activities to the tourism industry. Apart from operating the chalet accommodation, other tourism business activities ventured into by the people within these areas are providing services such as land and water transport, food, diving, island tours and souvenir shops. With the rapid development of tourism in these areas, more people seemed to be involved in the tourism and hospitality business, particularly in the chalet sector (Section 2.7). It was understood that the small firms in this sector were set up mainly to maintain the owner-managers' lifestyle (Section 3.3.1). The owner-managers were reported to have set-up the business with little knowledge and experience about the sector; however, they learnt the necessary skills on the job and through networking with others (Section 3.3.5). Furthermore, the small firm owner-managers seemed to face constraints on finances, management and knowledge in other businesses that were related to the sector. However, it was understood that such constraints could be reduced by engaging in networking with tourism organisations and other business associations (Section 3.5). It has been argued that a firm could benefit from an increase in market share, cost reduction, access to know-how and access to assistance and support through network relationships (Section 4.3). It is considered important for this research to understand the characteristics of the chalet firm and its owner-manager, the type of network relationship it has, and the benefits and impact of the network relationships. Therefore, the results of the research should help to recommend ways in which better networking can be engaged in by chalet owner-managers.

The aim of this thesis is to advance knowledge, relative to the types, reasons, benefits and maintenance of small firm networks in the chalet accommodation sector. The justification of this aim is to identify the features of the chalet firm and the networks, and the networking critical incidents, which have an impact on the firm. Therefore, the key objectives of this research are:

- To understand the characteristics of the chalet firm and its owner-managers;
- To understand the features of the chalet owner-managers' networks;
- To identify the critical incidents associated with the owner-managers' networking; and
- To recommend strategies to improve the networking in order to maximise the economic and social benefits of the networks.

1.3 The strategy used to conduct this research

The strategy used to conduct this research is a combination of literature analysis and empirical research. Both components of the strategy are now discussed briefly:

i) Literature Analysis

A comprehensive literature review was carried out with sources drawing on small firms, organisational behaviour, sociology, economics, strategic management, marketing, management, and tourism and hospitality, prior to

entering into empirical research. From this material an analytical research framework was established (Section 4.8) and a set of research propositions were developed (Section 5.6).

ii) Empirical research

The methodology adopted was qualitative. The context for the research was 37 chalet owner-managers at Cherating, Marang, Pulau Tioman and Pulau Perhentian, Malaysia. The respondents were selected using a combination of criteria and snowball sampling techniques. The research data were collected using the interviews technique that were undertaken according to protocol (Appendix 7) during fieldwork in the months of February and March 2003. The interviews were tape recorded, transcribed and analysed. The data were analysed using content analysis for the quantifiable data and thematic analysis to create groups and categories. These findings were reported on, and discussed, with the subjects and the propositions developed from the literature review.

1.4 Organisation of the thesis

The thesis has the following structure:

Chapter 2 introduces the tourism industry in the context country, Malaysia; examines the supplies and the development of the small accommodation sector. It

analyses the previous studies on the small accommodation sector and provides the justification for further research into the sector.

Chapter 3 presents the concept and the definition of a small business, examines definitions of the firm in the tourism and hospitality industry, and defines the small chalet firm. It provides an understanding of the small hospitality firm in terms of start-up motivations, ownership, employment, start-up capital, the profile of the owner-managers and the managerial issues. It highlights the influence of local culture values on business culture. It identifies the constraints on small firms and the factors to consider in further research into small accommodation firms.

Chapter 4 presents the definition, formation and the dimension of an inter-organisational network. There then follows a discussion of small firm networks and their characteristics. The chapter continues by examining the network and networking in the tourism and hospitality industry, as well as social networking activities. It relates the culture and networking relationships in Malaysia. Finally, it identifies the factors considered in the study of a chalet firm owner-manager's network.

Chapter 5 presents the research methodology, research strategy and design, the sampling considerations and research propositions for the study. It also describes the data collection method, the role of the researcher, the pilot study, the procedures for data management and data analysis.

Chapter 6 present the findings from the empirical work.

Chapter 7 presents the discussion of the research findings in relation to the literature analysis. It suggests the features of the chalet firm and its owner-manager. It also provides a discussion of the critical incidents associated with networking.

Chapter 8 draws conclusions and recommends strategies relative to the key objectives of the thesis. It also highlights the contribution of the research, identifies the research limitations, and outlines recommendations for future research.

Chapter 2

Tourism in Malaysia

2.1 Introduction

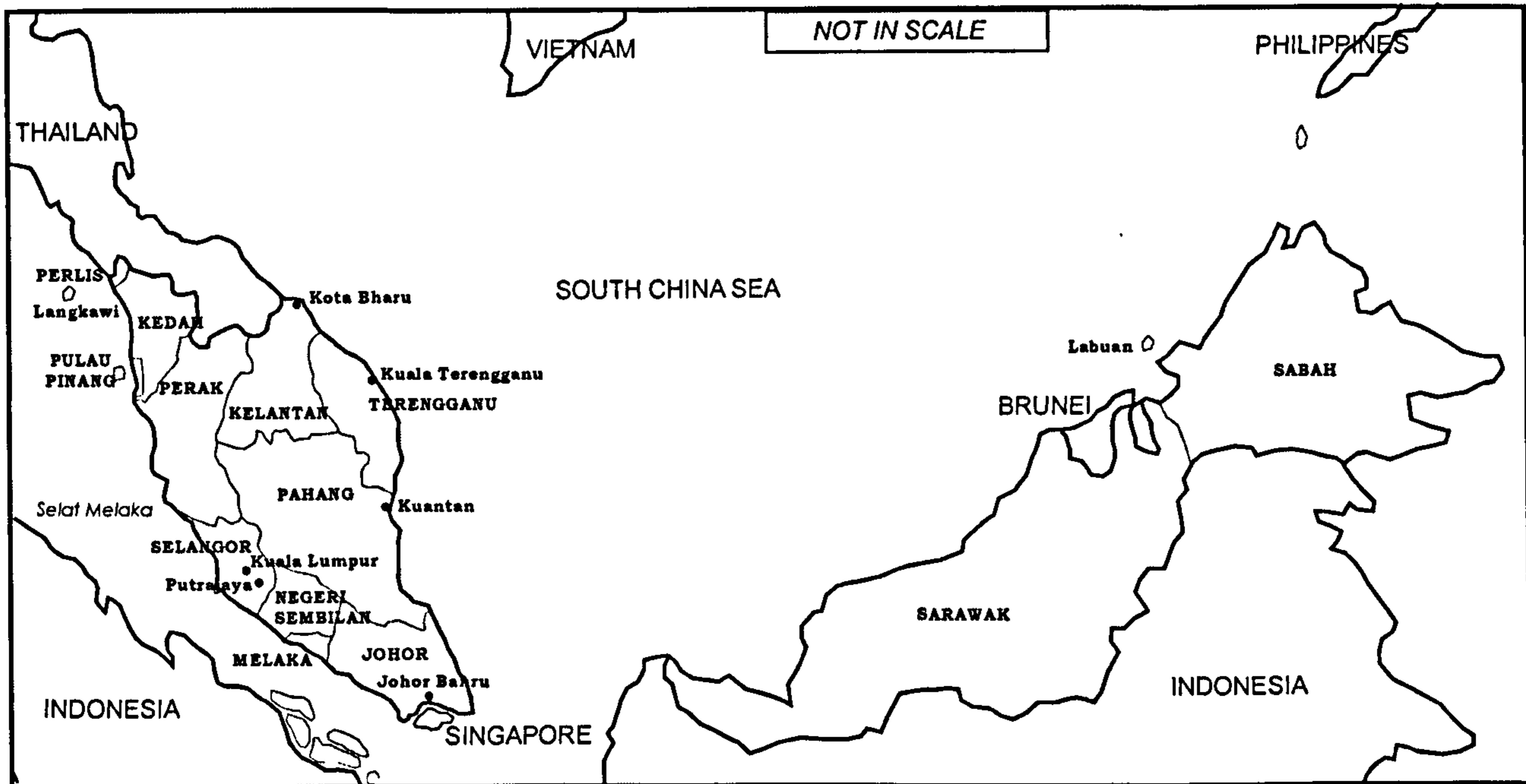
In order to carry out a study of networking in the small accommodation sector, it is important to understand the development of the tourism industry and the development of the small accommodation sector in the context of a study of Malaysia. Section 2.2 discusses the profile of the country and highlights the historical background, the people, and the economy and the political environment. Section 2.3 explains the criteria for tourist products in Malaysia. The performance of the tourism industry is reviewed in Section 2.4. The involvement of the Government in developing tourism in the country is discussed in Section 2.5. In order to achieve an understanding relative to the development of the small accommodation sector, Section 2.6 reviews hotel and room supplies, focusing on small accommodation. Section 2.7 investigates the development of the resort and its significance to the small accommodation sector. Previous studies of the small accommodation sector in developing countries, particularly in Malaysia is reviewed in Section 2.8. Lastly, the reasons for further study on managerial activities of small accommodation sector are presented in Section 2.9.

2.2 Country Profile

Malaysia is divided into two regions by the South China Sea. Peninsular Malaysia, consisting of 11 states and two federal territories, is on the west at the tip of the mainland of Southeast Asia. The states are; Perlis, Kedah, Pulau Pinang, Perak,

Selangor, Negeri Sembilan, Melaka, Johor, Pahang, Kelantan, Terengganu, and the Federal Territories of Kuala Lumpur, and Putera Jaya; while the Federal Territory Labuan, Sabah and Sarawak states are in the east on the Island of Borneo (Figure 2.1).

Figure 2.1: Map of Malaysia



The combined land area of both regions covers 330,400 square kilometres, equivalent to approximately 127,000 square miles (Malaysia, 1999). Standard Malaysian Time is eight hours ahead of GMT. The Malaysian currency is the Ringgit Malaysia (RM), which has the value of RM3.80 against USD1, or approximately RM6.80 for a GBP1.

With a location between one and seven degrees north of the Equator, Malaysia enjoys in a tropical climate, with a temperature between 26 C and 33 C, and a humidity level of 80

per cent throughout the year. Generally, Malaysia has two seasons: the dry season occurs from May to September, and the northeast monsoon that blows from November to March brings the wet season (normally referred to as the 'monsoon'). As a result, the annual rainfall is heavy at 2,500mm (100 inches).

2.2.1 The making of Malaysia

Dating back to the 14th century, Melaka, which was ruled by the Malay Sultanate of Melaka, was a major regional entrepot, where Chinese, Arab, Indian and Malay merchants traded precious goods. Drawn by this rich trade, the Portuguese fleet conquered Melaka in 1511, and later the Dutch ousted the Portuguese from Melaka in 1641. The foreign interest in Melaka continued when the British replaced the Dutch in 1795. The British had occupied Pulau Pinang earlier in 1786. After that, the British took control of Melaka and Malay states in the peninsula, including Singapore. During the British occupation, the foreign workforce, mainly Chinese and Indian, were brought in to work in tin mines and rubber plantations. The leaders from the three major ethnic groups (Malay, Chinese and Indian) were working together politically under a coalition of ethnic-based parties called the Alliance to pressurize the British into granting independence. Finally, independence was conceded on 31st August, 1957 under the name of the Malay Federation. The British colonies of Singapore, Sarawak, and Sabah (North Borneo) joined the Federation to form Malaysia on 16th September, 1963. However, Singapore withdrew from Malaysia on 9th August, 1965.

2.2.2 The people, economy and politics

The total population of the country was 24.53 million in 2002 (Malaysia 2004) and it continues to grow at a rate of 2.2 per cent per annum. The population comprises many ethnic groups, namely: Malay (50.3 per cent); Chinese (24.1 per cent), the indigenous people of Sabah and Sarawak, and the aborigines in the peninsula (10.9 per cent), Indian (7.1 per cent), non-Malaysian (6.3 per cent), and others (1.3 per cent). The Malay and the indigenous people are also called the 'Bumiputera', which means the original people of Malaysia. The Malays are Muslim and Islam is the nation's official religion. Other major religions observed are Buddhism, Hinduism and Christianity.

At independence, Malaysia inherited an economy dominated by two commodities: rubber and tin. Later other major commodities added to the export list were palm oil and petroleum. From a commodity-based economy, the country moved to focus on manufacturing. Manufacturing grew rapidly from 13.9 per cent of the GDP in 1970 to 30.4 per cent in 2002. Malaysia is one of the world's largest exporters of semiconductor devices, electrical goods, and appliances (BEAPA 2003). The Alliance, a coalition of the ethnic based parties (subsection 2.2.1) that consists of the United Malays National Organisation (UMNO), the Malayan Chinese Association (MCA), and the Malayan Indian Congress (MIC) have held power since independence was replaced by an alliance of communally based parties of 14 party components, named the 'Barisan Nasional' in 1973. It continues to rule the country's politics. The major opposition parties are the Democratic Action Party (DAP), the 'Parti Islam Se Malaysia' (PAS), and the 'Parti KeAdilan' (KEADILAN). At state level, Kelantan and Terengganu are ruled by the

PAS, but the 'Barisan Nasional' took over Terengganu recently in March 2004 after winning the general election. The Government of Malaysia is ruled by federal parliamentary democracy, which is elected in a five-year term election, when the state assemblies that rule the states are also elected.

2.3 Tourist Products

Malaysia offers a considerable variety of tourist products, ranging from natural resources, including beaches, islands, and national parks (Wells 1982), to exotic cultures, Formula 1, and the latest addition, as a shopping destination. Gearing, Swart and Var (1974) introduce five groups of criteria for measuring tourist product attractiveness namely: natural factors; social factors; historical factors; recreational and shopping facilities; and infrastructure, and food and shelter. Using these criteria, the tourist products of Malaysia can be promoted as:

- **Natural factors, including hill and island resorts, marine parks and national parks.**
Hill resorts offer a cool climate with an average temperature of 26 C as in Penang Hill, Fraser's Hill, Cameron Highlands, Genting Highland, Mount Kinabalu and the Crocker Range in Sabah, and the Borneo Highlands in Sarawak. The hill resorts also accommodate activities, including entertainment, theme park and rides, golfing and gambling. The island resorts are Pulau Tioman, Pulau Redang, Pulau Pangkor and Pulau Sipadan. The resorts are located near beautiful beaches and clear water offers a variety of water based activities. Marine parks feature the exotic marine life at Pulau Tioman, Pulau

Payar and Tunku Abdul Rahman Park. The national parks house the unspoilt rain forest, and unique species of flora and fauna.

- Social factors include the attitude of the hosts towards guests, the culture and festivals. It is considered appropriate to say that these factors are on the positive side in Malaysia, as Hofmann (1979) reports that his survey ranked the multi-ethnic people of Malaysia as "warm and friendly", according to the most popular comments made. Certainly with being multi-ethnic, Malaysia offers multi-cultures and festivals from the Malays, Chinese, and Indian to the longhouses of the indigenous tribes of Sabah and Sarawak.
- Historical factors involve sites of religious significance and heritage sites. Even though the official religion is Islam, Malaysia also observes other religious events and celebrations which are celebrated at a national level on a reasonably large scale. The heritage sites include the Declaration of Penang (significant to the British colony) and Melaka (significant to the Dutch and Portuguese occupation) as historic cities. The Kinabalu National Park in Sabah features a rain forest and the Mulu National Park in Sarawak, which is famous for show caves which have been included in the World Heritage sites in 2000.
- Recreational and shopping facilities have been given priority by the Government as have high profile sports taking in the annual calendar, such as Formula 1, Moto GP, and the Malaysian Open Golf Championship (co-sanctioned with the Asian PGA and the European Tour). Promoting recreation and sports, Malaysia offers hundreds of leisure and championship golf courses, diving spots, river rafting, safaris and jungle trekking. In order to promote the country as a

shopping destination, since 2000, a month long shopping carnival has run three times a year in March, August and December. Many imported goods were added to duty-free items such as cameras, watches, pens, cosmetics, computers and leather goods to make shopping more attractive.

- The infrastructure that supports tourist activities is reasonably good with a network of highways from north to south and throughout the country, and a good air network, both internationally and domestically. Tourists also can be transferred easily to any destination by train, ferry or passenger boat. The choice of accommodation is wide with a homestay programme, beach chalets, five-star resorts and luxury hotels.

(Source: Malaysia 2001)

Beyond the Gearing, Swart and Var (1974) criteria, Malaysia has taken a further step to exploit the advantages of its port facilities and attractive land-tour packages by developing cruise tourism. Two Star Cruise terminals have been built in Port Kelang and Langkawi to accommodate this sector. In 1999, the ASEAN Cruise Working Group was formed to develop the potential, draw strategies and to integrate cruise tourism in the region. Another sector seriously emphasised is health tourism, to offer quality and affordable health and medical services in the region. It was reported that 398,560 foreign patients sought treatment at 44 private hospitals from 1998 to June 2000 (Malaysia 2001).

2.4 Review of tourism performance

The growth of tourism in Malaysia started during the 1970s and tourist arrivals have been increasing every year. This is due to the effort of the private sector and government involvement in providing tourism infrastructure and facilities (Section 2.5). Promotion campaigns to put Malaysia on international tourist routes took place with the launch of Visit Malaysia Year 1990 and followed with the second campaign in 1994. Tourist arrivals were recorded at 7.2 million visitors in 1994 as compared to 4.9 million visitors prior to the campaigns in 1989. This growth continued in the following years, as indicated in Table 2.1

Table 2.1: Selected tourism indicators, 1995 and 2000

Indicator	1995	2000
Tourist arrivals ('000)	7,469	10,221
Total tourism receipt (RM million)	9,174.9	17,335.4
Number of hotels	1,220	1,492
Average length of stay (nights)	4.8	5.5
Occupancy rate of hotel (%)	65.5	55.0
Average per diem expenditure	RM255.90	RM308.36
Employment (hotel sector only)	67,214	78,671

Source: Adapted from Malaysia (2001:434)

Table 2.1 presents selected tourism indicators measuring the performance of the tourism industry for the reporting period for the Seventh Malaysia Plan (7MP), the five-year period development plan. Tourist arrivals increased moderately during 1995 to 2000 at an average rate of 6.5 percent (Malaysia 2001; Sadi and Bartels 1997). However, tourist arrivals reduction in 1997 and 1998, mainly due to the Asian financial crisis, occurrences of haze from open forest burning and localised outbreaks of Nipah and Coasackie viruses. It was reported to decline by 13 percent and 10.6 percent in 1997 and 1998, respectively (Malaysia 2001). However, proactive measures that have been taken, including an increase in promotional efforts to the markets not affected by the financial crisis. As a result tourist arrivals recorded a rapid increase to 7.9 million in 1999 and 10.2 million in the year 2000 (Table 2.1; Tourism Malaysia 2004a). Arrivals continued to record an increase at 12.78 million in 2001 and grew 3.9 per cent in the following year (Tourism Malaysia 2004a).

The average length of stay shows an increase from 4.8 nights in 1995 to 5.5 nights in 2000. Tourists were also reported to have spent 20.5 per cent more in the year 2000 than previously, as the average per diem expenditure was up to RM308.36 from RM255.90 in 1995. The private and public investment in the hotel sector had also increased by 22.3 per cent, with a larger supply of hotels in 2000, and with the number having risen to 1,492 from 1,220 in 1995. Consequently, the occupancy fell by 10.5 per cent as the hotel sector grew faster than tourist arrivals. However, hotel growth continues to provide more jobs, with an increase of 17 per cent in employment.

Table 2.1 shows an increase in tourism receipts as registered for RM17, 335.4 million in 2000 against RM9,174.9 million in 1995. The increment is reported to have recorded 13.6 per cent annual growth during the period. The total receipt for the year 2000 was accounted from the composition of tourist expenditure: accommodation (32.8 per cent), shopping (23.1 per cent), food and beverages (19.5 per cent), local transportation (7.1 per cent), domestic airfares (4.6 per cent), organised sightseeing (4.2 per cent), entertainment (5.0 per cent), and (3.7 per cent) of miscellaneous expenditure (Malaysia 2001). The recent data shows the annual tourism receipt continued to increase to RM21, 291.1million in 2002 (Tourism Malaysia 2004b).

2.5 Government involvement in tourism

The direct involvement of the Government in tourism began in 1972 with the set up of the Tourist Development Corporation of Malaysia (TDC) under the 1972 Act of Parliament. The TDC was established on 10th August 1972 as an agency under the former Ministry of Trade and Industry. The TDC was responsible for the overseas promotion of tourism, and for tourist development, including coordination with the private sector to provide and improve tourist products and facilities. Within the first ten years of the overseas' promotion, tourist arrivals grew at an average rate of 8.5 per cent per annum, from 725,833 in 1972 to 2,533,104 in 1982 (Othman, 1998; Wells 1982). For the planning and development of tourist product and facilities, TDC defined six geographical tourist regions in the peninsula, and Sarawak and Sabah regions (Wells 1982; Othman 1998). The peninsula's tourist regions were Pulau Pinang/Langkawi,

Perak, Kuala Lumpur/Melaka, Johor, Kuantan, and Kota Bharu and Terengganu (see Appendix 1). The development of tourist facilities, mainly accommodation and other infrastructure, was planned and developed according to the needs of the tourist regions; for example, historic building preservation for Kuala Lumpur/Melaka region; transportation infrastructure for Pulau Pinang/Langkaw; airport facilities for Perak; and tourist accommodation for Johor, and Kota Bahru and Terengganu regions (Wells 1982). It has been reported that by 1980, the number of hotel and room supplies had increased to 835 hotels, with 27, 559 rooms. More than 10,000 of these rooms were in first-class hotels by international standards. Construction of hotels continues to receive priority, as tourist arrivals are projected to increase and more hotel rooms are required. Nevertheless, the expansion of physical and social infrastructure has also received attention. These can be justified by the significant allocation of funding given to develop tourist facilities as shown in Table 2.2.

Table 2.2: Development allocations for tourism

Development Allocations for Tourism, 1986-2005				
(RM million)				
Programme	5MP (1986-1990)	6MP (1991-1995)	7MP (1996-2000)	8MP (2001-2005)
Preservation of National Heritage/Historical	1.5	41.1	56.0	125.0
Accommodation	2.0	171.7	49.0	35.5
Beautification/Cleanliness & Environmental Protection	2.5	43.6	89.2	295.3
Facilities & Infrastructure	79.2	157.4	335.5	473.6
Others	52.8	7.2	75.8	79.6
TOTAL	138.0	421.0	605.5	1,009.0

Source: Adapted from Othman (1998:123) and Malaysia (2001:453)

Table 2.2 illustrates the development allocations for tourism according to the main groups of programmes conducted by the TDC and later by the Ministry of Culture, Arts and Tourism (MOCAT). The development fund was allocated to four main programmes, namely: preservation of national heritage and historical sites; accommodation; beautification, cleanliness and environmental protection; and facilities and infrastructures, and other small projects. The total allocation given has increased in

every five-year Malaysia Plan (MP) from RM138 million in the Fifth Malaysia Plan (5MP) to RM1, 009 million in the Eighth Malaysia Plan (8MP). The allocation is considered significant compared to other industries, for example, agriculture RM8, 287 million in 7MP and RM7,860 million in 8MP, and for the industrial development RM2,185 million and RM2,598 million in the 7MP and 8MP respectively (Malaysia 2001). The largest allocation was given to provide tourist facilities and infrastructure in the 5MP. In the 6MP, more funds were given for the construction of tourist accommodation. The improvement of tourist facilities and infrastructure was emphasised in the 7MP and the 8MP. However, the allocation for beautification, cleanliness and environmental protection was tripled in the 8MP. This is due to the implementation of sustainable tourism which became the development approach for the 8MP. The allocations are for the conservation of nature parks, rivers, lakes, caves, wetlands, and wildlife sanctuaries, as well as social and cultural projects. The total number of rooms supplied has increased from 835 hotels with 27, 599 rooms in 1980 to 1,492 hotels with 124,413 guest rooms in the year 2000 (Section 2.6). The Government, beginning with the 6MP and continuing to the 8MP, encouraged the development of medium priced and budget accommodation to cater for budget-conscious travellers and local tourists. Within the 6MP and 7MP, sixteen Government-owned, medium-priced Hotel Seri Malaysia with 1,574 rooms were built. The budget accommodation, given priority for development, included 1 to 3-star rated hotels and the Orchid classification motels, chalets, rest houses, holiday camps and tourist hostels.

The Government has allocated a Special Tourism Fund for small and medium enterprises to develop small and medium scale tourism projects. The projects falling into this category include construction, expansion and renovation of budget tourism accommodation, building tourist attractions and providing other tourist facilities (see Appendix 2). The allocation for the Tourism Infrastructure Fund (TIF) is for financing all tourism infrastructure projects that contribute to the development of the tourist industry. The eligibility and summary of tourism related project is shown in Appendix 3. Besides financial assistance, the Government also provides incentives to attract the private sector to develop tourist products and facilities. A summary of the Incentive Programme is listed in Appendix 4.

The TDC then combined with the Culture Department from the Ministry of Culture, Youth and Sports to form the Ministry of Culture and Tourism. The Ministry of Culture and Tourism was established on 20th May 1987, but was renamed as the Ministry of Culture, Arts & Tourism (MOCAT) when the Arts Division was added in on 22nd October. In May 1992, the Tourist Development Corporation Act 1972 was repealed and replaced by the Malaysia Tourism Promotion Board Act 1992. As a result, the Malaysia Tourism Promotion Board (MTPB), popularly referred to as 'Tourism Malaysia', was established. Under the new Act, the development and enforcement functions were dropped from Tourism Malaysia and the new task is now to focus specifically on promoting Malaysia at a domestic and international level. Recently, in April 2004, after the general election and government reshuffle, the new fully-fledged Ministry of Tourism was established.

2.6 Supply in the small accommodation sector

As investment in hotels was given a high allocation in the 6MP and 7MP (Section 2.5), hotel room supplies were increased from 45,032 rooms at the beginning of 1991 to 76,373 rooms in 1995 and jumped to 124,413 in 2000. Table 2.3 displays the hotel and room supplies for the selected years of 1990 and 1995, and from 2000 to 2002.

Table 2.3: Supply of hotels and rooms for selected years

Year	Hotels supply	Percentage growth	Rooms supply	Percentage growth
1990	989		45,032	
1995	1,220	+23	76,373	+69.6
2000	1,492	+6.3	124,413	+13.7
2001	1,776	+19.0	130,757	+5.1
2002	1,878	+5.7	136,542	+4.4

Source: Malaysia (1996; 2001); Tourism Malaysia (2004c);

A significant growth in hotel and room supplies happened during the five years from 1990 to 1995. The growth in the number of hotels was 23 per cent and 69 per cent in hotel rooms. The number of hotels grew steadily by 6.3 per cent, but the increase in the supply of rooms was double that at 13.7 per cent between 1995 and 2000. The supply of Hotels continued to grow at the higher rate of 19 per cent in 2001; however the number of rooms grew at the much lower rate of 5.1 per cent. This pattern indicates a larger

budget and small hotels with a smaller number of rooms being built during the year, compared to the previous 10 years. It may have resulted from a recommendation by the Government to supply more budget accommodation (Section 2.5), and a fall in the occupancy rate in 2000 (Section 2.4) that had a greater impact on larger hotels than it did on smaller hotels. The supply of hotels and rooms continued to grow in 2002 at a lower rate. However, the statistics given do not give an indication of hotel size, whether small or larger, rather they give the total number of hotels.

It is difficult to determine the actual number of small hotels and other types of accommodation in the small accommodation sector because the statistics available are limited and often inconsistent (Morrison 1998). In Malaysia, small accommodation firms, particularly those with less than 10 rooms, are not included in the list provided by Tourism Malaysia (Hamzah 1997). The hotel survey carried out by Tourism Malaysia only collects data from those hotels having more than 10 rooms, or tourist hostels with at least 50 beds (Tourism Malaysia, Registration Guidelines 2004). According to Hamzah (1997), the reasons given for selecting hotels with more than 10 rooms were that it was difficult to obtain responses from the operators and that foreign tourists are less likely to stay in smaller hotels. Therefore, he assumes that small chalets constructed by local communities are not in the survey because they are not classified as hotels, even though many of them have more than 10 rooms. The Malaysian Association of Hotels (MAH), the body that governs the hotels, is also consistent with a minimum of 10 rooms being a basic requirement for membership. The hotels and rooms statistics, as at 30 September 2001, released by MAH, were 262 hotels with a total of 55, 223 rooms (MAH 2001).

However, MOCAT has recognized the importance of small hotels or budget lodgings and reported that they were occupied by 30 per cent of tourists (The Star 06/08/2003). As a result, MOCAT has now classified accommodation establishments into two types of rating systems. Hotels will use star ratings, from 1 to 5-stars, which is consistent with international standards, based on: a qualitative and aesthetic requirement; common areas; bedroom requirements; services; staff; and hygiene and safety. Budget lodgings include motels, chalets, inns, rest houses, tourist hostels and other types using orchid ratings between 1 and 3-orchids. The orchid rating will be given based on: cleanliness; safety; services and facilities; and bedrooms. The star rating for hotels was introduced in 1996 and the orchid rating for budget lodgings classification was introduced later in 1999. It was understood that the size of budget accommodation is most likely to be small. Therefore, it is appropriate to say that budget accommodation is also small accommodation. Unfortunately, most of the small accommodation operators were less likely to register with MOCAT and get rated. Only 68 examples of small accommodations had been rated five years after the scheme had been introduced. Consequently, MOCAT launched a campaign for the rating exercise in August 2003 and the small accommodation operators were given six months to become classified (The Star 06/08/2003). As a result, the statistics for small accommodation became available in May 2004.

Table 2.4: Distribution of small accommodation units according to orchid rating

States	1 Orchid	2 Orchid	3 Orchid	Total
Johor	152	-	-	152
Kedah	63	4	-	67
Kelantan	49	5	-	54
Melaka	67	-	-	67
Negeri Sembilan	39	-	-	39
Pahang	123	8	1	132
Perak	133	-	3	136
Perlis	7	-	-	7
Pulau Pinang	74	-	-	74
Sabah	56	1	4	61
Sarawak	176	3	3	182
Selangor	49	5	1	55
Terengganu	97	7	-	104
FT Kuala Lumpur	46	6	3	55
FT Labuan	5	-	-	5
Total	1136	39	15	1190

Source: Adapted from MOCAT (2004)

Table 2.4 illustrates the distribution of small accommodation units according to the orchid rating and Malaysian states. It shows that there were a total of 1190 small

accommodation establishments with the orchid rating in the whole of the country. The majority of them (95 per cent) operate at the low level of property type that has a 1-orchid rating. Just over one per cent of small accommodation is in the 3-orchid category and over three per cent have a 2-orchid. If it is appropriate to compare these statistics with the total amount of the country's supply of accommodation in Table 2.2, small accommodation represent over 65 per cent of the total supply.

At state level, however, the effort to take an inventory on hotel and room supplies has been carried out in many states. For example, the city hotels' and beach chalets' listings in Terengganu were compiled by the Youth, Sport, Cultural and Tourism Division of the State Secretary Office and are available at the State Tourist Information Centre, Kuala Terengganu (Terengganu Hotel and Resort undated). It is understood that the Pahang State Tourism Office updated beach chalets' lists for Cherating and Pulau Tioman yearly. Similar factors to those that caused the inconsistency in small hotel statistics, identified by Morrison (1998:134), also appeared to exist in Malaysia. Six of the 7 factors are similar:

1. The absence of an universally accepted organizational definition;
2. Not being registered with officialdom as below legal room size limit. The size set by Tourism Malaysia is more than 10 rooms for a hotel and at least 50 beds for tourist hostels;
3. Not having a Government policy for compulsory registration. However, the registration will give an advantage in applying for Government assistance;
4. Seasonal and intermittent patterns of operation;

5. Active avoidance by operators of bureaucracy, legal and fiscal scrutiny; and
6. General inconsistencies in the manner in which they are counted. In contrast to Tourism Malaysia, many state tourism offices take an inventory of smaller units.
7. The Value Added Tax registration as in the UK is not applicable in Malaysia.

Therefore, in order to have reasonably accurate statistics, the data from various sources, such as the tourist office at federal and state level, and associations and fields, should be collected, compared and adjusted.

2.7 Development of resorts and the significance of small accommodation

The first resort area developed in Malaysia (then Malaya) was at Maxwell Hill in Taiping, Perak, to cater for British officers and their families during the colonial era (Othman 1998). More hill resorts were developed in the early 1900s, such as Fraser Hill and Cameron Highland in Pahang, and Penang Hill in Pulau Pinang (Malaysia 1999). Hill resorts were popular among the British and Europeans because of the cool climate of the highlands. The type of accommodation available at that period was Government built rest houses and company-owned bungalows (Malaysia 1999). After independence in 1957 and the formation of Malaysia with the addition of Sabah and Sarawak, the hill resorts became accessible to the locals, especially the Government officials and elite groups (Othman 1998). The accommodation facilities and tourism activities soon upgraded and expanded to international level; for example with hotel complexes, theme parks and a casino at Genting Highland. Coastal destinations began

with Port Dickson, Negeri Sembilan, in the 1960s to cater for the demand from nearby towns like Kuala Lumpur and Seremban (Wells 1982). In the north there was Batu Ferringhi in Pulau Pinang (Oppermann 1992). The development of hill and coastal resorts was concentrated on the west coast due to the high demand and a greater population density than in the east coast (Wells 1982; Oppermann 1992).

The development of coastal resorts in the east coast only began in the 1970s when the region was actively promoted by the TDC (Pearce 1989; Wells 1982). It began with the opening of the first Club Mediteranee (Club Med) in Asia near Cherating (Wood 1984). It was later followed by resort hotels such as Hyatt Hotel in Kuantan, and a few hotels in Desaru cluster at the south in Johor. The accommodation sector developed at the resort destinations was run by enterprises in the formal sector. Wahnschafft (1982:431) describes enterprises in the formal sector as those 'which are often eligible for available government subsidies' and 'frequently able to influence political decisions through their accepted lobbies'. The formal/informal dichotomy was firstly introduced by the International Labor Organisation (ILO) to explain the development sectors. The characteristics of the two sectors have been summarized as following (ILO 1972:6):

Informal sector activities are

characterised by:

- a. ease of entry
- b. reliance on indigenous resources
- c. family ownership of family enterprises
- d. small scale operation
- e. labour intensive and adapted technology
- f. skills acquired outside the formal school system
- g. unregulated and competitive markets

Formal sector activities are

characterised by:

- a. difficult entry
- b. frequent reliance on overseas resources
- c. corporate ownership
- d. large scale of operation
- e. capital intensive and often imported technology
- f. formally acquired skills, often expatriate
- g. protected markets (through tariffs, quotas and trade licences)

Wahnschafft (1982) employs the ILO's formal/informal characteristics to study tourism enterprise in Pattaya, Thailand. He suggests that the formal tourism enterprises are owned and run by prominent investors and corporations in which both actively support the state; while according to the ILO, the informal sector is developed by individual or family businesses, generally without legal recognition and protection, and sometimes beyond moral standards. However, the ILO argues that the informal sector is considered a key element in solving unemployment and inequality, thus promoting the informal sector is a viable alternative strategy of development (Wahnschafft 1982).

As formal tourism develops in clusters of resorts, the tourists in the resort enclaves will make brief excursions for sightseeing, entertainment and the purchase of shopping items outside of their 'environmental bubbles' (Britton 1982). Thus, indirectly these activities encourage the informal sectors to supply tourist products, such as local handicraft and souvenirs, and petty transport services such as taxis and boats. Alternatively, according to Britton (1982), the informal sector may provide similar services to those offered by the formal sector, such as budget accommodation, localised tours, village organised tourist attractions and the retailing of souvenirs, but of course on a smaller scale. Similarly, the development of coastal resorts in the east coast such as in Cherating appeared to encourage the development of informal tourism activities. Consequently, the small accommodation sector at Kampung Cherating Lama grew along with the formal resorts of Club Mediteranee, Chendor Motel and Hyatt Kuantan. The evidence can be seen in Table 2.5, which shows the classification of beach resorts in the east coast of Peninsular Malaysia.

Table 2.5: Classification of beach resorts, east coast of Peninsular Malaysia

Type	Major features	Examples
Planned resort complex	Large-scale development. Important role in regional development. State organization in overall planning. Joint development between state and private companies operating at national and international levels	Desaru resort complex (Johor)
Individual resort of international standard	Medium-scale development. 'Exclusive' character. Joint development between state and private companies operating at national and international levels	Tanjong Jara Beach Hotel (Terengganu) Club Mediteranee (Cherating), Hyatt Kuantan (Kuantan)
Individual resort of national/local standard	Medium-scale development. Developed by private companies operating at state and national levels	Pantai Cinta Berahi Beach Resort (Kelantan), Chendor Motel (Cherating), Simjinfah Motel
Basic accommodation unit (dormitories, <i>kampung</i> accommodation)	Small-scale development. Private local enterprise. Adaptation of local resources to tourist demand	Pulau Tioman, Kampung Cherating Lama

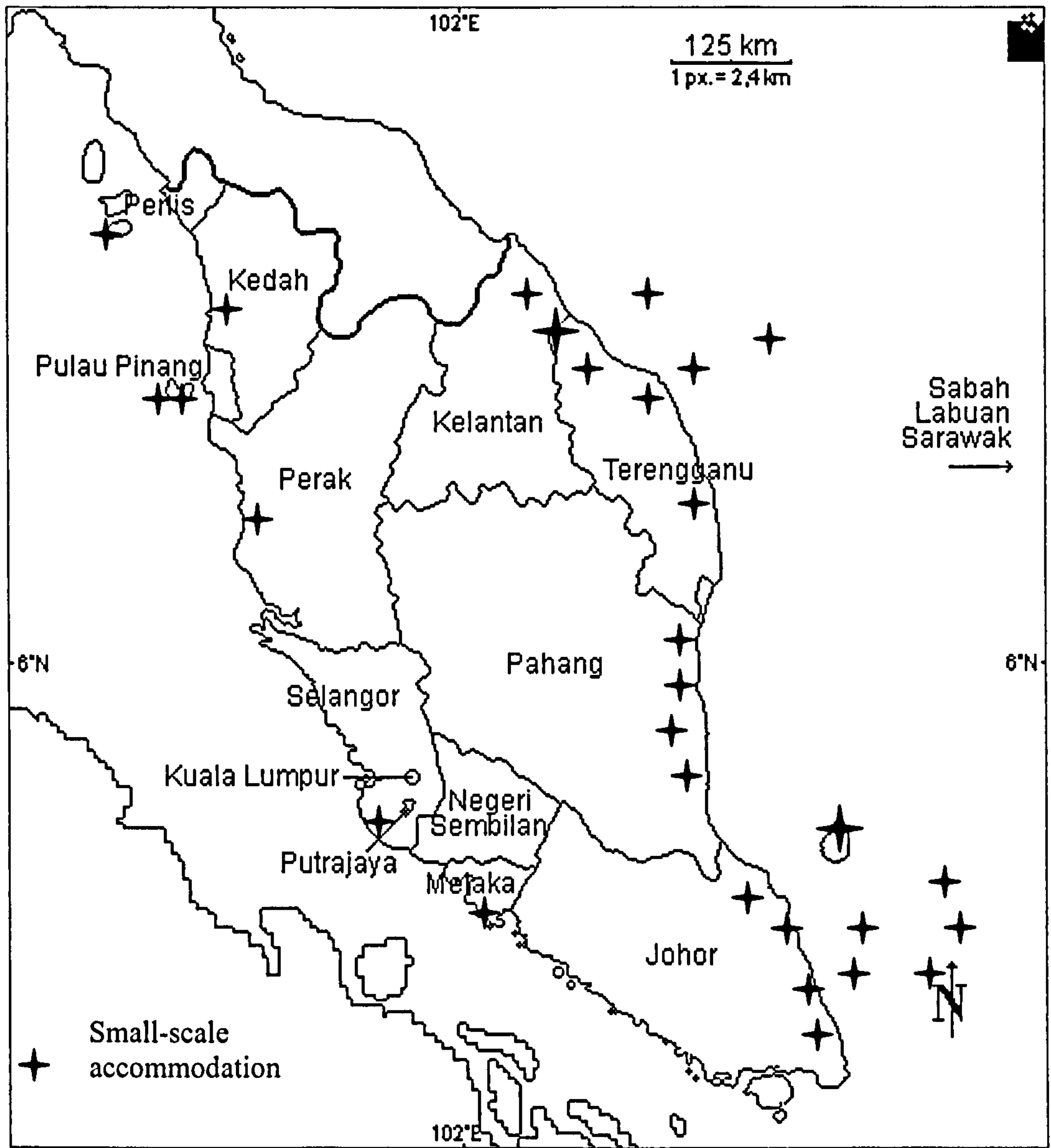
Source: Pearce (1989:92)

Pearce (1989) cites Wong's (1986) four types of beach resorts developed on the east coast of Malaysia namely: planned resort complex; individual resort of international standard; individual resort of national or local standard; and the basic accommodation

unit (Table 2.5). The first three types can be classified as formal enterprises and the basic accommodation sector as the informal sector, according to ILO (1972) characteristics. The basic accommodation unit is built within the *kampung* (village) by the landowner, individually, or through a family business in a small-scale development using local resources.

The development of the small-scale accommodation sector can be dated back to the late 1960s at 'backpackers' ghetto' along Jalan Chulia, which provided cheap accommodation for the drifters and spill over to Batu Ferringhi and Telok Bahang in Pulau Pinang (Hampton, 1998; Hamzah 1997). It began in 1973 in the east coast with Cherating, followed by Pulau Tioman and later Pulau Perhentian and Johor coastal islands (Hamzah 1997). In the 1980s, the small accommodation sector represented between 7 per cent (Opperman 1992) and 12 per cent (Din 1988) of the country's total supply of accommodation. There were 17 small-scale accommodation development areas in Peninsular Malaysia in the mid-1980s, mainly along the east coast (Hamzah 1997). According to Hamzah (1997), new destinations sprang-up and the small-scale accommodation areas grew rapidly to 29 areas in the 1990s. Figure 2.2 illustrates the locations of small-scale accommodation areas in the peninsula. It represents the main concentration of the development areas which remain at the east coast, along the mainland and spread up to the islands near the coast.

Figure 2.2: Locations of small-scale accommodation in Peninsular Malaysia



Source: Adapted from Hamzah (1997:22)

2.8 Studies of the small accommodation sector

Many studies have been carried out on small-scale tourism development in developing countries, for example Rodenburg (1980), Cohen (1982), Wahnschafft (1982), Din (1982; 1988; 1992), Long and Wall (1995) Hamzah (1997), Othman (1998) and Kontogeoropoulos (1998). Rodenburg (1980) compares the effects of scale in Bali by comparing the large international standard hotels against economy class hotels and 'homestay'. In the study, he concluded that small industry tourism (economy hotels) and craft tourism (homestay) are a more appropriate form of development on the island because they directly support the local economy and minimise economic leakages. Thus Rodenburg (1980) suggests that the small-scale enterprises should be actively promoted. Along with Rodenburg (1980), other studies have also highlighted the benefits and advantages of small-scale tourism for the local communities, such as Cohen (1982) to Ko Samui and Phuket; Wahnschafft (1982) to Pattaya; and Kontogeoropoulos (1998) to Ko Samui and Phuket, in which all locations are in Thailand. Long and Wall (1995) take a further step in studying small accommodation development to include an aspect of management in studying small-scale tourism in Bali. One of the survey questions they asked was how the operators learn to manage their businesses. They found few operators had formal training, some learned as they went along and some learned from their neighbouring operators. The operators also formed neighbourhood tourism organisations to co-ordinate promotional efforts. The result demonstrates the existence of networking relationships in management and knowledge sharing activities between the operators within the neighbourhood.

Although little research has been carried out specifically on small-scale tourism in Malaysia, the topic has been raised in many past studies of tourism. The following highlight a few. Hamzah (1997) focuses on the physical growth and sustainability of the small-scale tourism development in Cherating, Tioman and Langkawi; and Othman (1988) studies the entrepreneurial opportunities in tourism related businesses for small and medium enterprises in Langkawi. He calls for the 'Bumiputera' SME to participate in the tourism sector and urges the continuing support and involvement of the Government. The 'Bumiputera' refers to the indigenous people of Malaysia that are *Orang Asli* of the peninsula, *Orang Ulu*, *Dayaks* and *Ibans* tribes of Sarawak, *Kadazan*, *Murud* and *Bajau* tribes of Sabah, and the Malays (Din 1982; Othman 1998). Din (1988; 1992) has carried out a great deal of research on the Malaysian tourism industry, covering a wide range of issues from ethnicity in tourism entrepreneurship to tourism planning, local involvement in tourism and environmental issues in tourism and one of the studies examines the problems facing the small-scale 'Bumiputera' entrepreneurship in tourism.

2.9 Reasons for further study of small accommodation sector

Previous studies on small-scale accommodation development in developing countries focused heavily on the involvement of and benefits for local communities (Section 2.8) but there was a lack of focus on the management aspect of small accommodation. Apart from Long and Wall (1995), there is no emphasis given to managerial activities, particularly in Malaysia.

There is a gap between the benefits gained from the development and the utilisation of the resources available as the result of the development. It has been recognised that the development of the small accommodation sector has benefited the local communities. On the other hand, managing the small accommodation sector and utilising resources effectively are considered vital. Therefore, it is appropriate that further study on the small accommodation sector should be given more emphasis on the managerial activities because of the following reasons:

1. Realising the Government has allocated a lot of funds for the development of accommodation in every development plan (Table 2.2);
2. The importance of the small accommodation sector as the Government continues to emphasis the development of medium priced and budget accommodation (Section 2.5);
3. The small accommodation sector is classified under the Orchid rating scheme that consists of small hotels, motels, chalets, tourist hostels and holiday camps and represents 60 per cent of the country's hotel supply (Table 2.2; Table 2.3; Section 2.6);
4. The rapid growth of small accommodation, particularly chalets at coastal and island destinations (section 2.5). Therefore more people seem to be involved in this business; and
5. The small accommodation sector has existed for more than 30 years, but no emphasis has been put on understanding its managerial activities (Section 2.7, Section 2.8)

2.10 Summary

The Malaysian Government has put considerable effort into developing a tourist product, providing a tourism related infrastructure and facilities, and promoting the country as a destination since the set up of TDC in 1972. As a result, tourist arrivals and receipts have been increasing relatively every year. The investment in hotels has received significant attention and allocation of funds in the nation's development plans in the last 15 years. Consequently, hotel supply in 2002 is nearly double those in 1990. Approximately 60 per cent of hotel supply was in the small accommodation sector. The small accommodation sector has significantly grown alongside the development of resorts such as hill resorts, coastal resorts and island resorts since the 1960s. Studies have been carried out to investigate the development of small accommodation and its impacts on the regional and local economy. However, the managerial activities of this sector, particularly in Malaysia have not been explored. Therefore, this chapter suggests that a further study on the managerial activities of the chalet accommodation sector is justified.

Chapter 3

Small Firms in the Tourism and Hospitality Industry

3.1 Introduction

The aim of this chapter is to achieve an understanding of small firms in the tourism and hospitality industry. This chapter begins with the aim of achieving an understanding of the concept of small firms through a discussion of key differences between small and large firms in Section 3.2. Definitions applied to determine the size of the firms in various countries, including Malaysia, are also explored to understand the principles used within the context of the country and the best practice. The definitions used in previous research into the tourism and hospitality sector are reviewed before consideration is given to establishing a working definition for this research. The aim of reaching a greater understanding of small firms in the tourism and hospitality sector is obtained through a discussion of the characteristics of small firms in the sector in Section 3.3. The characteristics discussed are the motivation for setting-up a new firm, the ownership and employment patterns and the source of start-up capital and a profile of small tourism and hospitality firm owner-managers. In Section 3.4, the aim of understanding managerial issues is reached through an exploration of the issues that are confronted by the small firm sector. Section 3.5 highlights the constraints on the small accommodation sector and makes suggestions for networking activities, which become the focus of this study. The influence of local cultural values on owner-managers and business culture is introduced in Section 3.6. Lastly, Section 3.7 suggests the factors that should be considered in

further research into the small accommodation sector. The terms “small firm” and “small business” are used interchangeably in this chapter.

3.2 The concept of a small firm

A small firm is not a smaller version or a miniature of a large enterprise. The small firm has its own characteristics and concepts that make it different from the large business. It also has a different set of economic, social, cultural, geographical and political environments. Storey (1994) suggests that there are three key differences between small and larger firms. The first key difference, he argues, is that small firms face greater uncertainty than larger firms. The uncertainties are associated with being a price-taker, having a limited customer base and the diversity of objectives of the owners of small firms. The close relationship between the owner and the firm influences the motivation and performance of the firm without the internal conflict that exists between managers and shareholders in a large enterprise. Therefore, small firms are more likely to operate with greater internal consistency than the larger enterprises. The second key difference is the role in innovation between small and large firms. A small firm is less likely to invest in research and development than a larger firm. However, a small firm is more likely to take a faster step in new innovation because of no commitment to product and service standardisation (Burns 2001, Storey 1994). The third key difference is that in a small firm there is more likelihood of evolution and change. Storey (1994) argues that small firms are more likely to change management style and organisational structure when they grow larger. The stages of changes they undergo are greater than those of large firms. But the majority of small firms seem to stay small (Thomas 2000).

Beaver (2003) argues that the important factor that differentiates the small and large firm is business ownership. The ownership may influence the management of the firm. According to Beaver (2003), the large organisations usually owned by shareholders keep a distance between the ownership and their management and control. In contrast, management in the majority of small firms cannot be separated from the owners. His view supports Storey (1994) on the closeness between owner and firm. Thus it promotes a less formal and more personalised decision-making process in small firms than in larger businesses (Bridge *et al.* 2003). However, it was understood that the determination of the size of the firm is what divides small and large firms. The measures used to determine the size of firms will be discussed in the next subsection.

3.2.1 Definitions of small firm

The small firm has been defined in many ways. The two widely-used factors used to define the size of a firm are numbers of employees employed and the financial turnover. A firm that employs less than 50 employees can be considered small (Deakins 1999:35). However, the size of the firm that employs the same number of employees may be different if compared across industries. For example, a labour intensive food manufacturer with 40 employees can be smaller than an automated high technology microchip producer. There is no single, and widely accepted definition of a small firm (Curran and Blackburn 2001; Storey 1994). Different countries seem to have their own definitions of a small firm and it depends how the country perceives the smallness.

To overcome the problem of the uniformity of the definition in the UK, the Bolton committee (1971) introduced 'economic' and 'statistical' definitions of small firms (Storey 1994). The 'economic' definition categorised firms as small if they satisfied three criteria:

First, in economic terms, a small firm is one of that has a relatively small share of its market. Secondly, an essential characteristic of a small firm is that it is managed by its owner or part owners in a personalised way, and not through the medium of a formalised management structure. Thirdly, it is also independent in the sense that it does not form part of a larger enterprise and that owner-managers should be free from outside control in taking their principle decisions. (1971:1)

The elements identified in the definition help to distinguish the characteristics of the small firm compared with larger enterprises. It was understood that a small firm has a small share of its market due to the serving capacity. However, a pioneer small firm in some high-technology areas might dominate the market, the particular niche market (Curran and Blackburn, 2001). The second and the third elements were considered fair and acceptable even though they were not easy to operationalise (Curran and Blackburn, 2001).

According to Storey (1994), the 'statistical' definition was made to enable a comparison of the contribution of small firms in one nation with that of other

countries. The statistical definition shown in Table 3.1 on the next page illustrates the use of different definitions of small firms in different sectors.

Table 3.1: The Bolton Report definition of the small firm

Sector	Definition
Manufacturing	200 employees or less
Retailing	Turnover of GBP50,000 p.a. or less
Wholesale trades	Turnover of GBP200,000 p.a. or less
Construction	25 employees or less
Mining/quarrying	25 employees or less
Motor trades	Turnover of GBP100,000 p.a. or less
Miscellaneous service	Turnover of GBP50,000 p.a. or less
Road transport	5 vehicles or less
Catering	All excluding multiples and brewery-managed pub

Source: The Bolton Report (1971)

It is suggested that manufacturing, construction, mining and quarrying sectors use the employment criterion. In the service sectors like retailing, wholesale and motor trades, and other services the turnover basis is applied. Road transport uses the physical asset basis and finally the catering sector is based upon ownership. It shows that the criterion for determining smallness varies from one sector to another.

According to the Small Business Act of the United States, a small business is 'one that is independently owned, operated and which is not dominant in its field of

operation' (SBA 2004). The Small Business Administration (SBA) definition of a small business varies from industry to industry. To guide the definition of the small firm, the SBA (2004) established a table of size standards for a firm in an industry so that it is not greater than the size standard indicated. Table 3.2 indicates the size standard for each industry group.

Table 3.2: SBA Small Business Size Standard

Industry Group	Size Standard
Manufacturing	500 employees
Wholesale trade	100 employees
Agriculture	\$750,000
Retail	\$6 million
General & Heavy Construction (except Dredging)	\$28.5 million
Dredging	\$17 million
Special Trade Contractors	\$12 million
Travel Agencies	\$ 3 million (commission and other income)
Business and Personal Service	\$6 million
Except:	
➤ Architecture, Engineering, Surveying, and mapping Service	\$4 million
➤ Dry Cleaning and Carpet Cleaning services	\$4 million

Source: SBA (2004)

Similarly to the Bolton definition, the SBA recognises the sector-sensitive definition. SBA suggests the use of the number of employees basis for the manufacturing and wholesales sectors. While in other sectors the turnover criterion is used. In fact, from the above definitions, small firms in the USA generally are larger than their counterparts in the UK.

For the European Community, the European Commission (1996) introduces a term 'small and medium enterprise' (SME). The SME consists of three components that are micro, small and medium-sized enterprises (Table 3.3).

Table 3.3 European Commission SME Definitions

Enterprise category	Headcount	Turnover	Balance sheet total
Medium-sized	<250	≤ 40 million Euro	≤ 27 million Euro
Small	<50	≤ 7 million Euro	≤ 5 million Euro
Micro	<10	Not defined	Not defined

Source: European Commission (1996)

The definition bases used for medium-sized and small enterprises were number of employees (headcount), financial turnover or balance sheet total. The micro enterprise definition was single based on the number of employees.

However, it is worth looking at the local definition that applies in Malaysia where this research into small firms will be based. In Malaysia, the size of a small firm is generally determined based on quantitative criteria such as employees, amount of

capital, amount of capital and sales turnover (Hashim and Wafa 2002). However, the definition of SME varies and depends on the perception of the organisations that have relations with small and medium enterprises. For example, the Credit Guarantee Corporation Malaysia Berhad, that provide guarantees for loans made by the financial institutions, defined a SME as an enterprise which has net assets of less than RM500,000 or shareholders' funds of less than RM500,000 for limited companies (CGC 2004). The Ministry of International Trade and Industry (Malaysia 2002), which has close ties with manufacturing industries for trade and investment, defined a small firm as a company with less than 50 full-time employees, and with an annual turnover of not more than RM10 million; while a medium enterprise is a company that employs between 51 and 150 employees, and which has an annual turnover of between RM10 million and RM25 million.

Hashim and Wafa (2002:10-11) suggested that qualitative characteristics should be added to the definition in the new quantitative criteria they proposed. The proposed definition is as below:

Quantitative criteria:

- i. A small-sized enterprise is a firm that employs 10 to 50 full time employees and has a paid-up capital of less than RM10 million.
- ii. A medium-sized enterprise is a firm that employs 51 to 300 full time employees and has a paid-up capital of RM10 million to RM49 million.

Qualitative criteria:

- i. Actively managed by its owners [owner-managed and family business]

- ii. Highly personalised [i.e., owner's preferred management style]
- iii. Largely local in its area of operations; and
- iv. Largely dependent on internal sources of capital to finance its growth.

In addition, Hashim and Wafa (2002) conclude that the firm that has less than 10 employees is loosely structured and more suitably labelled as a micro firm. The first two qualitative criteria are almost similar to Bolton's (1971) qualitative definition. The third and fourth criteria are acceptable. However, the 'local' perimeter can be more clearly defined whether it refers to the region or nationwide. With the current communication technology, a firm may be able to market and operate beyond its local site. Moreover, external funds are available for business expansion offered by the Malaysian Government through the Small and Medium Industries Development Corporation (SMIDEC) and other credit agencies, as well as commercial banks (Malaysia 2002). This means that a small firm is not restricted to internal resources to finance its growth.

Apart from Bolton (1971) and SBA (2004), the definition of SME in general, particularly in Malaysia, is not uniform and most likely better fits manufacturing enterprises but not other sectors like tourism and hospitality, in particular. However, one small firm definition that is uniformly applicable to all sectors is unrealistic. Curran and Blackburn (2001) reported that research projects carried out in the Economic and Social Research Council Small Business Research Initiative employed a wide variety of definitions of "firm". One of the widely used definitions of SME is the EU definition of 'micro', 'small', and 'medium' firm. Curran and Blackburn

(2001:22) promote a good-practice principle for defining small businesses for the purpose of creating a consistent approach between researchers. A summary of the principles is:

- Where the simplest definition only can be used, adopt DTI/EU size categories:
 - Micro enterprises firms: 0-9 employees
 - Small enterprises: 10-49 employees
 - Medium-sized enterprises: 50-249 employees
 - Large enterprises: 250+ employees
- Whole other numerical indicators, such as turnover, number of units produced or number of units of capacity, may be used to advantage.
- Where possible, attempt to ground the definition in the culture of the sector(s) being investigated. This will require some preliminary study of the kinds of economic activities in which firms in the study will be engaged.
- Definitions adopted may depend on available sampling frames so preliminary investigation of the type and quality of such frames may be required before a final definition is adopted.
- Do a literature search to ascertain how other researchers have defined small firms, particularly in studies of the same kind of small enterprise.
- After formulating a preliminary definition, check the resulting sample against known populations, such as DTI SME statistics, to assess whether the definition is producing a sample which is representative.

- Where secondary data, such as the General Household Survey, is to be used check whether coding categories employed in the original analyses can be converted to produce a suitable definition of a small enterprise.

Based on the above discussion, it is appropriate that research into the tourism and hospitality sector should use a firm size definition that suits the nature of the sector. The definitions used in previous small firm research in this sector are reviewed in the next subsection.

3.2.2. Definition of a small firm in the tourism and hospitality industry

In line with a sector-sensitivity definition, Peacock (1993) attempted to determine the size of hotels and restaurants by using a grounded approach. He surveyed 1,000 hotels and restaurants in London, using relative unit's size as self-identified by owners and managers. Peacock (1993) found that the distinction of small, medium and large firm was not helpful in the context of hotels and restaurant. Instead, he suggested using a simple small-large dichotomy. In conclusion, he defined the size of firm based only on number of employees; that is a small restaurant employs not more than 30 people, while small hotels employ up to 80 employees. However, the definition based on employees by Peacock (1993) is similar to other sectors in general. Thomas (1998) also found that studies of small firms in the tourism and hospitality sector reflected the adoption of the definition of small firm that is found in general small firm literature. He reviewed the definitions of 'small' used by contributors to a special edition for small business management in the *International Journal of Contemporary Management*. Table 3.4 illustrates the definitions used by

the contributors in the previous small tourism and hospitality studies. According to Thomas (1998:2), there is no greater congruence among definitions used for the sector specific studies than elsewhere at that time.

Table 3.4: A selection of definitions used in the study of small tourism and hospitality businesses

Author	Definition
Hales <i>et al.</i>	Fewer than 50 employees
Radiven and Lucas	Fewer than 25 employees
Horobin and Long	Micro enterprises (fewer than 10 employees)
Ozer	Bed and breakfast accommodation units
Ball	Independent single unit businesses
Ingram	Independent. Distinction between guesthouses and bed and breakfasts on the basis of number of rooms

Source: Thomas (1998:3)

Sundgaard *et al.* (1998), take a different approach to define the size of firms by focusing on the unique feature of the hotel sector. The important feature that makes the accommodation sector unique and different from the other sectors is the product sold. The number of products that can be sold for the usage or service that is the hotel rooms is fixed. Therefore, the number of rooms reflects the capacity of the hotels. The number of rooms is also a base that can be used to determine the size of the hotels. Sundgaard *et al.* (1998), in his survey of hotels on the island of Bornholm, Denmark, divided hotel size into two categories, in a similar way to

Peacock (1993). They suggest that a small hotel has fewer than 25 rooms, while a large hotel certainly has more rooms. According to Sundgaard *et al.* (1998), the division of the number of rooms reflects the capability of the hotels to accommodate the size of tour party. For example, a large hotel should be able to take a complete party of guests from a coach.

Moving away from the general approach, Morrison (1998b) suggested using a grounded definition, which differed from the above definitions that use a quantitative measure. She discussed the features and characteristics of small hotels and guesthouse in the UK, giving emphasis to the organisational structure and functional activity of operations in the sector. Morrison (1998b) used the features and characteristics of small firms as a comparison to a large enterprise and the organisational structure of the small hotel as a basis for the definition. The definition suggested is that:

'in terms of physical facilities, service capacity, number of employees and market share they represent small scale accommodation providers, in comparison to the largest units of operation in the UK. The businesses are financed by one individual or small group, directly managed by its owner, or part owner, in a personalised manner and not through the medium of formalised management structure' (Morrison 1998b:134).

The second part of the definition is focused on the capital limitation of the small hotel. It is understood that a pool of capital from an individual or a small group to

fund the firm is relatively smaller than a corporation or a large group of investors. The third part focuses on the management style of the hotel, which depends on the preference of the owner to organise the management functions; while the first part reflects the physical measure of the small hotel that is reasonably financed, controlled and managed by its owner(s). It is considered that Morrison's (1998b) definition is suitable for a specific aim of small hotel research; for example to investigate the managerial aspects of the hotel (Storey 1994).

For this research into a small chalet, that investigates the features and networking activities of its owner-managers, it is considered appropriate to use the grounded approach to the definition. Networking is one of the important aspects of the management routine carried out by the owner-managers. According to Storey (1994), a grounded definition is appropriate for a researcher to research managerial and behavioural aspects of the management of a small firm, and the statistical definition is practical to measure the smallness. Furthermore, this research is not to measure the firm but to understand the owner-manager's activities.

Adapting the small hotel definition by Morrison (1998b), it is concluded that the working definition of a small chalet that fits this study is as follows:

'A small chalet is financed by individual(s) or a small group, directly managed by the owner(s) or appointed manager in a personalised manner and not through the medium of a formalised management structure. In comparison to the largest unit of operation within the

accommodation sector, it is perceived as small, in term of physical facilities and number of employees.'

3.3 Understanding the small firm in the tourism and hospitality industry

Small firms dominate the tourism and hospitality industry (Morrison 1998; Page *et al.* 1999; DTI 2003; Bastakis *et al.* 2004; Section 2.6). For example, according to DTI (2003) small hotels and restaurants with less than 50 employees represent 83.5 per cent of the businesses in the sector. A similar pattern is expected to appear in every European country (Bastakis *et al.* 2004). It applies to Malaysia, where 65 per cent of the total hotel supply is small (Section 2.6). There are a high proportion of small firms in the accommodation sector. According to Morrison (1996), traditionally, there are four factors that lead to the high number of small hotels. Firstly, 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 requirements related to the sector are necessary but not compulsory (Quinn *et al.* 1992; Lerner and Haber 2000; Szivas 2001). Secondly, 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 quality range of products, facilities and special services to a niche market. Thirdly, the nature of a small firm is such that it allows an owner-manager to respond quickly to customer needs and expectations. As a result, customer satisfaction can be achieved through personal encounters with the guests. Finally, a small hotel, often owned and managed by a family, can be economically viable. The market seems to be limited and specialised and suited to a

firm with low overhead costs and does not offer the high level of profit required by a large enterprise. This is caused by the economic advantage of using family labour (Andriotis 2002; Getz and Carlsen 2000; Lowe 1988). Furthermore, the small hotel owner is likely to be willing to accept a compromised profit to experience some quality of life (Morrison 1995; Szivas 2001).

3.3.1 Motivation to set up a firm

Most people need the triggers to turn an idea into the reality of setting up a new business (Burns 2001; Cooper 1981). The triggers reflected by the 'push' and 'pull' factors (Burns 2001; Glancey and Pettigrew 1997). According to Burns (2001), the factors that push an individual into self-employment are: unemployment, disagreement with management, not comfortable at the work place or being a misfit in the job, or because of other alternatives, such as having physical disabilities and illness. Whereas the pull factors are to fulfil the needs of the individual that are: independence, achievement and recognition, personal development and wealth. These factors lead to a strong positive motivation to achieve success, or at least to be in a better state than at the previous organisation (Burns 2001).

Glancey and Pettigrew (1997), in their study of 40 small hotels in St. Andrews, Scotland, found that more owners, 65 per cent from the sample, were motivated by the pull than push factors. They classified the 'pull' factors as the desire to 'be your own boss', to make high levels of profit, spot business opportunities, and wind down to retirement; while the 'push' factors were redundancy, job insecurity, and a need for a supplementary income. The elements of the factors seemed to be similar to Burns

(2001). Quinn *et al.* (1992) however, summarised the motives of the small business owners into three main themes. In a survey of catering establishments in Northern Ireland, the respondents registered their motives as being to fulfil the lifetime ambition to own their business, move from the previous job that did not provide what they wanted, and inheritance of the family business. This inheritance factor is supported by Getz and Carlsen (2000) as they observed the existence of family businesses in Western Australia, which were passed on from one generation to the next but were not as common as new start-up businesses.

However, literature in the tourism and hospitality sector suggests that the motivation for starting up a new business can be divided into two categories namely, economic and non-economic motivators (Alteljevic and Doorne 2000; Horobin and Long 1996; Page *et al.* 1999; Thomas *et.al* 1997). Table 3.5 lists the motivations to set up small tourism and hospitality firms.

Table 3.5: Motivations to set up small tourism and hospitality firms.

Non-economic motivations	Economic motivations
Maintain lifestyle	Freedom of being own boss
Change lifestyle	Business opportunity
Occupy time and space available	As investment
Enjoy meeting people	
Enjoy the business of tourism	
Planning for retirement	
Inheritance from parents	

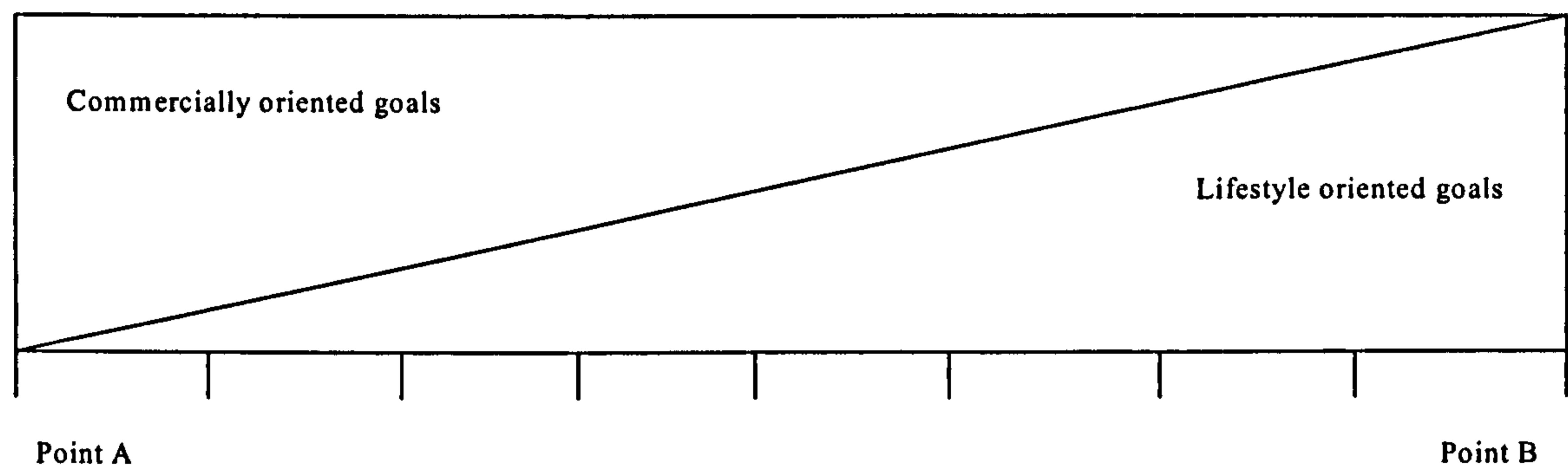
Source: Adapted from Alteljevic and Doorne (2000), Alteljevic *et al.* (1999), Getz and Carlsen (2000), Lynch (1999), Page *et al.* (1999), Szivas (2001), and Thomas *et.al* (1997)

Non-economic motivators are those such as: started the business to occupy time and space available; the empty nester renting out rooms after children leave home, planning for retirement; to change or maintain life style (Alteljevic and Doorne 2000; Alteljevic *et al.* 1999; Szivas 2001); simply enjoyment from doing business and meeting people (Getz and Carlsen 2000; Lynch 1999; Page *et al.* 1999); and a desire for independence or freedom of being own boss (Thomas *et.al* 1997; Page *et al.* 1999). On the other hand, the economic motivators are the factors that are perceived as providing economic benefits and returns from business activities.

In a study of the role of tourism and business development in New Zealand, Page *et al.* (1999) state that the majority (54 per cent) of respondents owned tourism businesses because of the enjoyment they got from the business of tourism; while only 20 per cent wanted the freedom of being their own boss. Getz and Carlsen (2000) also found that the non-economic motivators dominate the small tourism and hospitality firm start up. In the investigation of Western Australia's small family owned and operated businesses in the rural tourism and hospitality sector most respondents were concerned about lifestyle decisions as the main start-up goal (34.1 per cent), followed by business opportunities and investments (27.6 per cent) as the second factor. This was similar to the UK; (Szivas 2001) found that tourism entrepreneurs in Somerset and Coventry supported the motive of a change in lifestyle (68 per cent) rather than an economic motive, such as an opportunity to make money

(27 per cent). The non-economic motives seemed to appeal to the heart of small firm owners, as they were not motivated by a desire to maximise economic gain (Dewhurst and Horobin 1998). However, Dewhurst and Horobin (1998) proposed that small firm owners also have commercial and lifestyle goals and strategies at some stages of the firm's life cycle. For example, high in commercial goals and low in lifestyle goals at the beginning of the firm's life they then gradually change to the opposite direction of goals as they progress from points A to B (Figure 3.1).

Figure 3.1: A subjective goal orientation model



Source: Dewhurst and Horobin (1998:30)

The lifestyle motives are suggested by Morrison *et al.* (1999:13) as being that the 'owners are likely to be concerned with survival, and maintaining sufficient income to ensure that the business provides them and their family with a satisfactory level of funds to enable enjoyment of their chosen life style'. For example, to earn enough money from the business to support family and prevent family disharmony (Getz and Carlsen 2000); to enjoy being a host as well as to receive some earnings from homestay guests (Lynch 1999). However, so far the notion of that leading motive

related to lifestyle has not been cited in the developing countries, particularly in Malaysia.

Starting up a firm is not dependent on just motivation and the trigger, is often influenced by various factors. Cooper (1981) explains various factors that contribute to the decision to start-up which seem to be influenced by three major factors. The factors are illustrated in Table 3.6.

Table 3.6: Factors influencing an entrepreneur's decision to start-up a new firm

Antecedent influences upon an entrepreneur	Incubator organisation	Environmental factors
Genetic factors	Geographical location	Economic condition
Family influences	Nature of skill and knowledge acquired	Accessibility and availability of venture capital
Educational choices	Contact with possible fellow founders	Examples of entrepreneurial action
Previous career experiences	Motivation to stay with or to leave organisation	Opportunity for interim consulting
	Experience of a small business setting	Availability of personnel and supporting services; availability of customers

Source: Cooper (1981:41)

According to Cooper (1981), the first major factor is the entrepreneur him/herself. The entrepreneur is influenced by his/her background which includes family, education and the experience gained previously. These background factors affect his motivations, his perceptions, and skills and knowledge. Secondly, the incubator organisation refers to the organisation which the entrepreneur has previously been working for. The characteristics of the incubator influence the location and the nature of the new firm. Lastly, various environmental factors, such as economic conditions, funding, success stories, and market availability and so on, lead to the decision to start or not to start up a new firm.

3.3.2 Ownership

Literatures indicate that mostly small tourism and hospitality firms are owned independently by individual or joint owners (Williams *et al.* 1989; Getz and Carlsen 2000; Page *et al.* 1999; Thomas *et al.* 1997). For example, in Cornwall, some 70 per cent of tourism businesses were owned by a single individual (William *et al.* 1989) and over 80 per cent in Yorkshire were independently solely or jointly owned (Thomas *et al.* 1997). In Northland, New Zealand Page *et al.* (1999) reported that some small tourism businesses were individually operated (45 per cent) and that some had joint ownership (34.5 per cent). This ownership pattern is confirmed by Getz and Carlsen (2000), as small businesses in Western Australia are mostly (66 per cent) owned by couples and 14 per cent by sole proprietors. Moreover, Rodenburg (1980) found that smaller firms offer a greater opportunity and more control for local people than a larger firm. Furthermore, the owners of the small firms are most likely local or have been residing in the area for a long time and are mostly owner or family

managed (Andriotis 2002; Getz and Carlsen 2000; Kontogeorgopoulos 1998).

Findings from Samui, Thailand (Kontogeorgopoulos 1998) are consistent with Crete, Greece, (Andriotis 2002) where a high proportion of the small accommodation businesses were family run in a similar way to Western Australia (Getz and Carlsen 2000).

3.3.3 Employment

Small tourism and hospitality firms employ small number of people (Getz and Carlsen 2000). For example, 95 per cent of the small firms surveyed in Australia employed 10 or fewer people (Getz and Carlsen 2000). More precisely, Szivas (2001) found that about 54 per cent of small tourism firms in the UK employed between 2 and 5 employees, approximately 22 per cent had no employees and less than 10 per cent employed between 6 and 10 people. It has been understood that small tourism and hospitality firms employ a higher number of family members (Andriotis 2002; Getz and Carlsen 2000; Kontogeorgopoulos 1998).

Kontogeorgopoulos (1998), reports that many small-scale establishments in Samui employ family members and a high number of local staff (76 per cent). Andriotis (2002) found that the smaller the hospitality firms in Crete, the higher the number of family employees and usually everyone have wider roles compared to the larger ones. In Malaysia, Whah (2003) reported that high family members employed in small firm to reduce payroll and to overcome employee turn over.

Kontogeorgopoulos (1998) argued that the high local employment in small firms is due to the lack of skills and experience among the locals to match the entry requirements of large hotels. Instead, the skills, experience and knowledge are not

necessary for small firms (Morrison 1996). Furthermore, tourism jobs are viewed as being fairly glamorous compared to traditional job opportunities in agriculture or fishing (Kontogeorgopoulos 1998).

3.3.4 Start-up capital

Small business does not have much choice in its source of finance. It is highly unlikely to obtain a bank loan without putting up collateral. At this stage, a new firm does not have a track record or credit history, and does not yet own business assets or investments (Bridge *et al.* 2003). According to Bygrave (2000), in some cases, business owners are willing to put up their personal assets to guarantee the loan. This is most unlikely to attract potential formal venture candidates to invest some equity in a small firm. Moreover, a new small business has insufficient evidence to guarantee they will do well enough to provide returns on investment to the potential investor (Bridge *et al.* 2003). Thus, most small firm owners start up their businesses with remarkably little capital from personal saving (Bridge *et al.* 2003; Bygrave 2000). In most cases, to top up the capital amount they often turn to family and friends (Bridge *et al.* 2003; Bygrave 2000).

The main source of investment to start up a new business in tourism and hospitality appears to be personal funds (Andriotis 2002; Page *et al.* 1999; Glancey and Pettigrew 1997; Ozer and Yamak 2000; Willam *et al.* 1989). Table 3.7 illustrates the source of start-up capital for small tourism and hospitality firms.

Table 3.7: Source of start-up capital for small tourism and hospitality firms.

Source		Author
Personal funds	Loan facilities	
63 per cent	10 per cent	Ozer and Yamak (2000)
67 per cent	47 per cent	Page <i>et al.</i> (1999)
57 (Instances)	44 (Instances)	Szivas (2001)
34 per cent	20 per cent	Glancey and Pettigrew (1997)

According to Ozer and Yamak (2000), around 63 per cent of small hotels surveyed in Turkey used their personal funds to start their business. Less than 10 per cent obtained financing from loans for the initial investment. They argue that this may be due to limited supplies in external funding and an inability of the owners to use external financial sources. In New Zealand, Page *et al.* (1999) reported that more than two-thirds of small tourism business owners used their own funds. However, quite a high number (42 per cent) sourced the bank loan facilities. Szivas (2001) found more than 50 (57) tourism businesses in Somerset and Coventry, UK, used personal savings and a lesser number (47) borrowed from financial institutions as sources of business capital. According to Glancey and Pettigrew (1997), one-third of the small hotel owners in St Andrews, Scotland, invested their personal funds for start-up and 20 per cent reported having used bank lending. However, 46 per cent combined both sources of funding (Glancey and Pettigrew 1997). Evidence from Turkey (Ozer and Yamak 2000), New Zealand (Page *et al.* 1999) and the UK (Szivas 2001) supported the usage of personal funds or savings as the main source of initial

capital by small tourism and hospitality firm owners, in accord with the suggestion made by Bridge *et al.* (2003) and Bygrave (2000). Interestingly, some owners (20 per cent) in Greece inherited the family business from parents, either due to retirement or death (Andriotis 2002). A smaller number (10) of tourism firms were inherited in the UK (Szivas 2001). However, a significant number (14) of tourism businesses were reported to get help for the sources of capital from the network of family members and friends (Szivas 2001). For future investment and business expansion, however, small hotel owners most likely sourced from the retained earnings of existing businesses rather than from external financial sources (Ozer and Yamak 2000). For the case Malaysia, Whah (2003) in interviews with twenty-nine (29) small business entrepreneurs found that: thirteen (13) used personal fund; six borrowed from parents; two (2) borrowed from relatives; and two (2) borrowed from friends to start up their businesses, whilst the other six (6) were inherited their family business, which no need for start-up capital. Small firms in Malaysia were less likely to obtain loan from formal moneylenders because they banks and financial institutions were reluctant to lend to small and medium enterprise (Ong *et al.* 2003). Alternatively, they turned to supported agencies like CGC (Section 3.2.1) and the Majlis Amanah Rakyat (the Council of trust for Indegenous People, MARA). MARA was set up to motivate, guide, train and assist Bumiputera to enable them to become actively involve in industrial and commercial activities including food and catering and tourism (Abdullah 1999).

3.3.5 A profile of small tourism and hospitality firms' owner-managers

It is understood that most small tourism and hospitality businesses were owner operated (Ateljevic *et al.* 1999; Section 3.3.2). A study by Getz and Carlsen (2000) found that more than 96 per cent of their respondents were the owners of tourism businesses and the remaining were the managers, who were family members. The dominant age of small business owner-managers' is middle-aged, for example, more than 40 per cent were between 45 and 54 years old in Australia (Getz and Carlsen 2000), and about 77 per cent were slightly older than 45 years old in the UK (Szivas 2001). Most of them were reported married (Getz and Carlsen 2000). Generally, small firms are owned-managed by men, but more women owner-managers were in the tourism and hospitality industry. For example, in more than 80 per cent of small firm owner-managers in cross industries survey in Australia were male (Morrison *et al.* 2003). In the tourism and hospitality however, approximately 60 per cent were female (Getz and Carlsen 2000). In terms of educational background, according Getz and Carlsen (2000), the largest group (42.2 per cent) of owner-managers in Australia had high school qualifications; about 34 per cent had college diplomas and university degrees; and approximately 12 per cent had a trade qualification. Most of the owner-managers in the UK were reported to have had higher education, as about 70 per cent had college, HND or university degrees, and only 24.5 per cent had only secondary school education (Szivas 2001). Due to easy entry into the tourism and hospitality business (Section 3.3), many owner-managers were reported to have various types of occupations and experience prior to venturing into this sector (Szivas 2001; Ateljevic *et al.* 1999). For example, about one-third of the owner-managers have had work experience in the tourism and hospitality industry in the

UK, but others were from agriculture, retail, education and other sectors (Szivas 2001). In New Zealand, however, previous job experience in tourism and hospitality was not particularly represented, but the most common experiences were farming activities, and others such as teachers, marketers, builders and carpenters (Atlejevic *et al.* 1999). Since previous occupations and experience were not the compulsory requirement for entry into the tourism and hospitality business, owner-managers learnt the needed skills on the job (Szivas 2001). However, some of them were reported to attend formal tourism and hospitality related courses for example, marketing, management, cooking, hosting, and computing courses after starting-up the businesses. Moreover, during the courses, owner-managers mentioned that they found the courses provided a good networking opportunity to meet other people with a common business interest (Ateljevic *et al.* 1999). Small firm owner-managers were reported to use this networking as a source of knowledge for improving operations and marketing of the firms (Frazier and Niehm 2004). According to Frazier and Niehm (2004), the networking may provide different resources, however, it serves as an opportunity for small firm owner-managers.

3.4 Managerial issues in small tourism and hospitality firms

A small hotel is not a smaller version of a large hotel (Lowe 1988). 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. Obviously, small tourism and hospitality firms have much in common with their larger counterparts; however, they operate according to often quite different rules; for example, differences found in business

objectives, management style and access to funding (Friel 1999). Thus, it is suggested that a different approach should be applied to managing a small hotel. Moreover, Morrison and Thomas (1999) suggest that it should be recognised that significant management issues confront small hospitality firms, including marketing, strategic management and growth, information technology, and entrepreneurship. They argue that there is the potential for applying entrepreneurial concepts and practices to address the above mentioned management challenges.

Small hotels are more likely to market services directly to guests, rather than through the tourism trade (Rodenburgh 1980; Wanhill 2000). In Bali, for example, Rodenburg (1980) reported that two-thirds of foreign visitors who use small-scale accommodations are independent tourists, and only one-third are on group or package tours. They attract the independent tourists on the merits of the properties and inexpensive prices. The small-scale sector relies on personal contacts with travel retailers for group or package tours. There is an increasing amount of literature which suggests that small firms in tourism and hospitality should take proactive action in marketing their products (Friel 1999; Leslie and McAleenan 1990; Morrison 1994; 1996b; 1998). To reduce the high cost of marketing campaigns, Leslie and McAleenan (1990) suggest looking for the benefits of economies of scale through a number of hotels banding together and sharing the marketing budget. However, problems may arise in the proportion of cost shared and the distribution of guests to the participating hotels. Another method is co-operative marketing through consortia (Leslie and McAleenan 1990; Morrison 1998). A marketing consortium represents members of a standard quality of product and services in specific

geographical locations. For example, according to Morrison (1998), Scotland's Hotel of Distinction, a small hotel firm marketing consortium represents 62 three-star and four-star independently owned country and town house hotels in Scotland. Members of the consortia are subject to pay a joining fee, annual subscription and room levy. In return, besides a marketing service for the properties, members of the consortium benefit from a discount purchasing scheme, training and other professional business help. Consortia are considered the best marketing option for small hotels that appreciate the value of marketing with a limited marketing budget and where marketing expertise is less necessary (Leslie and McAleenan 1990). Generally, small accommodation providers do not have a marketing plan and have a very limited marketing budget (Ateljevic *et al.* 1999; Friel 1999; Page *et al.* 1999; Thomas *et al.* 1998). Therefore, the owners utilise the advantages of free promotions and a modest advertising budget. The most frequently used marketing tools are travel brochures, flyers, destination guides, word-of-mouth, visitor information centres, and travel guidebooks (Ateljevic *et al.* 1999; Page *et al.* 1999).

3.5 Small firm constraint and networking in tourism and hospitality

Cohen (1982) observed that the increase in demand from tourists for goods and services in Samui and Phuket islands caused a shortage of supplies and pressure on prices. In his investigation into bungalow tourism on the Islands of Southern Thailand, he reported that the goods and fresh supplies produced locally were limited, and that the supply was unreliable. Thus the tourism and hospitality businesses had to draw and depend on the suppliers from the mainland. Therefore, the lack of knowledge of other businesses related to tourism and the hospitality

sector pressurized the progress of the firm (Page *et al.* 1999). To overcome such pressure Page *et al.* (1999), suggested small firms become members of tourism organisations and other business associations. Joining the associations will lead to a coordination of this diverse sector. The low entry barriers to the tourism and hospitality business (Morrison 1996; Ateljevic *et al.* 1999) place constraints on the finances and knowledge of the small firm owners. Therefore, the owner seems to seek help and advice on financial and management matters from outside, whether from family and friends or professionals. Some proactive owners obtain information and advice on financial and managerial matters from informal networking with other businesses, business associations and tourism organisations (Ateljevic *et al.* 1999). It clearly shows that the constraints of finance, supplies and managerial knowledge can be reduced through networking with other related parties. Thus, a networking strategy with a formal and informal network is called for, as suggested by the relevant literature (Augustyn and Knowles 2000; Ateljevic *et al.* 1999; Copp and Ivy 2001; Lynch 2000; Morrison 1994; 1998; Telfer 2001; Tinsley and Lynch 2001).

3.6 Influence of local cultural values on owner-managers and business culture

Somewhat, it is understood that the core values of a society that derived from its culture and beliefs have shaped the behaviour of the people (Storz 1999). People's behaviour is more likely to form the foundation of action towards managing business activities. Therefore, it is considered important to understand the local cultural values embedded within the people in the research areas and the influence of the culture on owner-managers as individual as well as their business practices. In this case, the core values of the Malays, Chinese and Indian mould the Malaysian

business culture. This section will highlight the common values that shared by the major ethnics rather than an explicit discussion on each ethnic's value system.

However, at some points the Malays, which will be the context of this research and the Chinese, who's dominate Malaysian business activities will be referred. Based on studies done by the Malaysian Institute of Management, common cultural values of Malaysia that shared by the Malays and Chinese ethnics can be concluded in general as the following (Abdullah 1996:104):

Collectivistic- that have a high concern for others, keep other people in mind, promote a sense of oneness with other people and consider the group as a basic unit of survival. Malaysians enjoy group work, prefer doing things together and derive their entity from being part of a collectivity. This integrates people into strong cohesive groups or extended families where relatives relate in harmony in exchange for unquestioned loyalty.

Hierarchical- Malaysia is a high power distance society (Hofstede 1980, Nyaw and Ng 1994, Karande *et al.* 2000). This means that Malaysians are considered willing to accept the fact that inequality of power and agreed to lay the power onto the hand of those who are senior on age or position. This also means that Malaysians would more likely to expect the elders to take lead and guide and regarded as significant role models.

Relationship-oriented- Malaysia is a high context culture where a person is attached to events surrounding him/her; therefore there is a need to build

relationships before getting involved in a serious business. It is understood that these relationships are reciprocal. Malaysian managers and those holding positions in public or private sectors often have to spend time on building personal relationships. Business and private lives are not easy to separate because they are usually well integrated in social relationships.

Face- Preservation of one's face is important in establishing and maintaining good relationships. This means that maintaining person's dignity by not embarrassing him/her in front of others. An individual is a part of family or group, embarrassing someone would also be seen as embarrassing the family or group. Consequently, once a person loses face, he/she may withdraw from business interaction.

Beside the four culture values above that shape business culture, Malays and Chinese business relationships with others focus on social and relational aspect of business rather than on the facts of business (Storz 1999). In this sense, the ideal business deal is where everyone wins, in terms of business gain as well as the assurance that social relationships will continue. Furthermore, the multi-ethnic Malaysians believe in religions. Generally, the Malays are Muslims, Chinese are Buddha, and Indians are Hindus. In business, Malaysians do not simply solve problems through intellectual logic process but may also resort to religious beliefs (Storz 1999). This is demonstrated by the practice of use of 'feng shui' by the Chinese and the Malays resorting to fate or the will of Allah. It is considered appropriate to include these

local cultural values in investigating owner-managers and small firm management activities, particularly the networking relationships.

3.7 Factors to consider for further research into small accommodation firms

Based on the discussion of small tourism and hospitality firms in Section 3.3, the managerial issues confronting the small firm (Section 3.4), the constraints and networking (Section 3.5), and the influence of cultural values on owner-managers and business culture (3.6), several factors are now considered for further research into small accommodation firms. Firstly, the context of the research will be the small chalet sector that is based in the east coast and island destinations in Malaysia (Section 2.8). Secondly, the features of small chalet firms will be considered. The features include the main motives of a firm when it starts-up whether economic or non-economic (Section 3.3.1), the employment pattern in the small chalet sector (section 3.3.3), and the source of start-up capital for small chalet firms (section 3.3.4). Secondly, consideration will be given to the profile of small chalet owner-managers. The purpose of this factor is to investigate the background of the owner-managers (Section 3.3.5). The background criteria are: age, education level, previous occupation and experience. This includes how the owner-manager gained the needed skills and knowledge that he/she did not possess before he/she set-up the firm. Thirdly, the management issues confronted by the small chalet firm will be identified (Section 3.4). This factor is important in order to understand the managerial issues faced by small chalet firms. Fourthly, identifying the owner-manager's efforts to overcome the constraints of small chalet firms (Section 3.5). The objectives of a consideration of this factor are to identify the constraints on small chalet firms, such as financial, knowledge, supplies and coordination, and to

investigate the efforts taken to overcome these constraints. This includes whether the small chalet owner-managers take a proactive approach by utilising the network approach as suggested by the literature (Section 3.5). Lastly, identifying the influence of culture on owner-managers behaviour in dealing with business activities.

3.8 Summary

Small firms are different from larger enterprises in terms of: the size of employment, financial and equity and market share; relationship of owners and firms; and management style. Therefore, an investigation into small firms should be carried out differently from an investigation into larger enterprises. In tourism and hospitality, where small firms dominate the industry, these firms have unique characteristics compared to the general small business. The motives for setting-up a firm are more likely to be non-economic; because it is locally owned and family managed; because it is seen as a fairly attractive job by the local employees; and because there is easy entry with a small amount of capital, mostly from personal funding and little specialist knowledge. It is understood that most of the small tourism and hospitality firms' owner-managers are middle aged, have at least high school qualifications and were in various industries before entering this industry. Owner-managers learn on the job and attend related courses in order to fill the skills gap. Small hotels are confronted with managerial issues, such as management approach and marketing, due to the disadvantages of economies of scale. Financial and knowledge constraints defer the progress of small tourism and hospitality firms. Having an understanding of the characteristics and managerial issues of and the constraints on small firms in the tourism and hospitality industry, it would seem that the literature's suggestion of

network relationships is a valid one. In order to reduce the constraints and to confront the managerial issues, owner-managers should establish relationships with formal and informal networks. Local culture plays an important role in shaping owner-managers actions and business culture of the country. This chapter presents the factors that should be considered for this study into the small chalet sector, with specific emphasis on inter-organisational networks.

Chapter 4

Inter-organisational Networks

4.1 Introduction

This chapter begins with the aim of understanding the concept of the network in general through the discussion of a definition given to networks in previous research in section 4.2. The motives and formation of inter-organisational networks was discussed in Section 4.3 in an attempt to reach an understanding of the reasons why firms join the networks. Section 4.4 explores the dimensions of network studies, namely: economics, organisational, and social dimensions that are employed in various industries. Influence of local culture on relationships is discussed in Section 4.5. In order to understand the small firm network further, Section 4.6 discusses the types, linkages, ties, and features of small firm networks. The application of networks and networking concepts and issues to the tourism and hospitality industry is explored in Section 4.7. The factors considered by tourism and hospitality firms before joining network relationships and the consequential benefits are also highlighted. The networking activities engaged in by the small firm owner-managers to benefit from and maintain the network relationships are discussed in Section 4.8. Lastly, Section 4.9 concludes the discussion of factors that should be considered when researching small chalet owner-managers' networks. An analytical framework to be employed for this study is introduced.

4.2 Definition of a network

Inter-organisational network studies have received attention from a wide range of subjects such as organisational studies, management, marketing and sociology (Ebers 1997; Shaw and Conway 2000; Sturgeon 2002) and various definitions have been given to the network. A network can be depicted as a set of nodes, and relationships that connect them (Fombrun 1982). The nodes can be replaced with actors, which may be individuals or an aggregation of individuals, and connections (relationships) can be replaced with social ties or bonds (Davern 1997). A network can consist of a series of direct and indirect ties from one actor to a collection of others (O'Donnell *et al.* 2001). Two basic elements of a network are the actors and ties that connect the actors. The actors can be individuals such as managers, owners, entrepreneurs or any person who is obligated to work within the ties, or a group of individuals or an organisation such as a firm, an association, community or public agency (Johannisson 2000). The ties or bonds can be informal such as relationships among friends and family, or formal in terms of agreement, like associations, joint ventures, trading groups or buyer-supplier agreements (Davern 1997; O'Donnell *et al.* 2001).

Grandori and Soda (1995) introduced a practical definition of networks as modes of organising economic activities through inter-firm coordination. They have taken this further with the definition of an inter-firm network as a mode of regulating interdependence between firms, which is different from the aggregation of these units within a single firm and from coordination through market signals. It is based on a cooperative 'game' with partner-specific communication (Grandori and Soda 1995). An inter-organisational network is constituted when two or more

organisations are linked through networking relationships. It represents a particular form of organising, governing, and exchange relationships among organisations within the network (Ebers 1997).

4.3 Formation of inter-organisational networks

Traditionally, an inter-organisational network is formed when a large foreign firm tries to access a market by associating with a local partner (Contractor and Lorange 1988). Table 4.1 illustrates a summary of the motives of inter-organisational network formation.

Table 4.1: Motives of inter-organisational network formation

Motives	Achieve through	Author
Access foreign markets Faster market entry Increased market share	Associating with local partners, co-operation with local partners	Contractor and Lorange (1988), Harrigan (1985), Zajac and Olsen (1993), Eber (1997)
Reduce costs Reduce competition	Joint R&D, marketing or production	Porter and Fuller (1986), Contractor and Lorange (1988), Hakansson and Snehota (1995)
Gain access to know how Acquire appropriate skill Fast track learning	Learn from other network members, services offered by network	Dyer (1996), Kreiner and Shultz (1993), Dodgson (1993)
Reduce risk	Co-operation project with other network members	Contractor and Lorange (1988), Mariti and Smiley (1983)
Obtain assistance and support	Joint government regulated networks or industry associations	Contractor and Lorange (1988), Oliver (1990)

Through association or co-operation with a local partner, it is proposed that a foreign firm will have better market access or faster market entry, thus increasing their market share (Contractor and Lorange 1988; Harrigan 1985; Zajac and Olsen 1993; Ebers 1997). The cooperation between the organisations in the network can reduce competition by binding competitors as allies (Porter and Fuller 1986). Alliances with competitors may also result in cost reduction, which can be achieved through joint research and development, marketing or production (Contractor and Lorange 1988; Hakansson and Snehota 1995). Linking with a network may allow an organisation to gain access to crucial know-how from the other members of the network in cost-efficient ways (Badaracco 1991; Dyer 1996; Kreiner and Schultz 1993; Teece 1986). Furthermore, an inter-organisational network is seen as a fast track learning place for the network members. Learning, acquiring and appropriating skills can be pursued in a fast, effective and efficient way through networking (Dodgson 1993; Hamel 1991). An organisation may reduce the risk through spreading the financial and other risks to other members of the co-operation project (Contractor and Lorange 1988; Mariti and Smiley 1983). Contractor and Lorange (1988) pointed out other motivations for the formation of inter-organisational networks, such as economies of scale, technology exchanges and overcoming government-mandated trade or investment barriers.

Oliver (1990) indicated slightly different motives for the formation of inter-organisational relationships: necessity, when organisations are mandated through the regulation of higher authorities to establish relationships; asymmetry that allows one

party to exercise power or control over another one or its resources; reciprocity, where organisations can pursue common or mutual benefits, goals or interest; efficiency, where organisations can achieve higher input/output ratios through co-operation; stability, where organisations can better forecast or absorb uncertainty affecting their activities; and legitimacy, where organisations can establish or enhance their reputation, image or prestige through network co-operation. However, little attention has been given to the study of the influence of culture as a motivating factor to form inter-organisational networks. Contractor and Lorange (1988) have pointed out that cultural motivation was not explored or examined in much detail, but problems may develop in cross culture networking, causing cultural difficulties, slower decision-making, disputes over sourcing and disagreement on future expansion. However, a different scenario is evident when culture is located as the main ingredient in Japanese networking known as *keiretsu*. Traditionally, the network was formed by a clan or *kaisha* and has been a recognized business culture since the 1950s (Kienzle and Shadur 1997). In their study of business networks in East Asia, they found Korean industrial networks, *chaebol*, and Chinese family business networks were connected with cultural and social motivation.

Kienzle and Shadur (1997) noted that Chinese family business networks do not rely on formal contracts. The foundation for financial arrangements and other network transactions is based on trust. Chinese associations are formed around kinship, locality, dialect and crafts. The Chinese dialects form an important distinction between Chinese business networks although in western society these boundaries between business networks based on dialects have declined (EAAU 1995). The

chaebol relationships are formed based on blood relations, which includes members of one's immediate or extended family; school ties; and geography, such as coming from the same clan or village. In the Japanese *keiretsu*, firms are linked by supplier-buyer relationships or bounded by sub-contracting agreements. The *keiretsu* are normally bank-centred for financial networks around large banks like Mitsubishi, Mitsui, Sanwa and Sumitomo. The industrial *keiretsu* are centred on larger manufacturers like Toyota, Hitachi and Matsushita (Kienzle and Shadur 1997). According to Whah (2003), the Malaysian Chinese family business and social networks share similar features with the Chinese family networks in other countries in Asia that are influenced by three important factors: motivation, values and long-term relationships. The motivation for networking is mainly for profit or benefit, the network members share same values and culture, and members put effort in form of time and money to maintain the relationships.

4.4 Inter-organisational networks perspectives

There has been an abundance of literature focusing on inter-organisational relations and networks published over the past decade and it has mainly focused on a governance and social network perspective (Oliver and Ebers 1998). The governance perspective investigated the formation of inter-organisational networks, particularities on an institutional environment, centrality, and the structural properties of the network (Ebers 1997; Grandori and Soda 1995; Jarillo 1993; Oliver and Ebers 1998; Ebers and Jarillo 1997/1998). In studies from a social network perspective, researchers employ social network analysis to examine the structural properties of internal and external networks, the actor roles and relations within the network, and

the influence of organisations and their members (Burt 1992; Mizruchi 1994; Oliver and Ebers 1998).

Oliver and Ebers (1998) examined 158 inter-organisational network papers published in four leading journals between 1986 and 1996. They found common research themes and a common agenda, which can be divided into four substantive research perspectives: social network; power and control; institutional; and institutional economics and strategy (Table 4.2). Furthermore, according to Oliver and Ebers' (1998), research foci pursued in inter-organisational studies can be distinctively grouped into four research foci (as shown in Table 4.2): contingent decision-making and strategy, including theories of strategy, decision-making, contingency theories, resource dependence theory; (social) network relations, which is analysed by social network theory; issues of inter-organisational power and control, comprising exchange, political power, resource dependence theory and a few other theories; and inter-organisational governance structure, employing the transaction-cost and institutional theories.

Table 4.2: Research perspective: focus and theory employed

Research Perspective	Research Focus	Theory Employed
Social networks	Social network relations	Social network theory
Power and control	Issues of inter-organisational power and control	Exchange theory Resource dependency theory Political power theory
Institutional	Inter-organisational governance and structure	Transaction-cost theory Institutional theories
Institutional economics and strategy	Decision-making and strategy	Strategy theories Decision-making Contingency theories Resource dependency theory

Source: Adapted from Oliver and Ebers (1998)

Among the 17 theoretical approaches employed by the researchers in their analysis, the top five widely used theories were: resource dependence; network; institutional; political power and strategy. The review of literature of inter-organisational networks' studies, according to different criteria, depends on the background or perspectives taken by the researcher. Oliver and Ebers (1998) use the research focus groups as in Table 4.2. While Grandori and Soda (1995), Shaw (1997), and Shaw and Conway (2000) have used a classification system based on academic subject area. The review found that much of the research describes networks as focused more on dyadic relationships such as buyers-sellers relationships than on the network of relationships. It establishes that the network relationships that focus on the small business owner-manager, as a unit of analysis and the social network concept in relation to small tourism and hospitality firms has not been adequately explored.

Despite the diversity of the classifications of literature on inter-organisation networks studies, they share much common ground and most likely their perspectives overlap (Harland 1995). For the purpose of systematically reviewing the literature, the researcher categorised them into three main subject areas: economics, organisational, and social studies. Each of these areas of research is far reaching in its interests, and to some extent, as stated above, they overlap with each other. The focus of each classification is shown in Table 4.3.

Table 4.3: Dimensions of inter-organisational networks

Dimension	Focus
Economics	<ul style="list-style-type: none"> - internationalisation process - economies of scale and economies of scope - transaction cost - economic activities
Organisational	<ul style="list-style-type: none"> - inter-organisational alliance - network management - coordination
Social	<ul style="list-style-type: none"> - social network - industrial network

Source: Adapted from Grandori and Soda (1995), Shaw (1997), Shaw and Conway (2000)

In particular, economics and organisational dimensions to inter-organisational networks share many commonalities, since the research focuses on an individual dyadic set of relationships rather than networks of overlapping relationships. The

social dimension, however, focuses on the social relationships of the owner-managers of the firms in the networks. Each dimension is now discussed in more detail.

4.4.1 The economic dimension of inter-organisational networks

Grandori and Soda (1995) point out that in the traditional research of inter-organisational networks, many researchers (Blois 1972; Dunning 1982) focused on the vertical and horizontal integration of firms across borders to explain the international processes of co-ordination. While the economies of scale by plays significant roles in the formation of resource pooling agreements to make common resources available to all, such as, in horizontal franchising agreements and in joint ventures (Contractor and Lorange 1988; Porter 1985; Kaufmann 1995).

Furthermore, the joint utilisation of equipment, asset or know-how knowledge can be seen in licensing agreements (Teece 1990).

Traditionally, an inter-organisational network was formed when a large foreign firm tried to access a market by associating with a local partner (Contractor and Lorange 1988). Going international by investing in marketing and distribution facilities and activities may incur relatively high costs, risks, and time (Contractor and Lorange 1988; Hakansson and Snehota 1995). The costs involved are in establishing the channels and physical distributions facilities, the appointment of dealers and setting up service centres. New ranges of products usually go through the development stages of marketing and consumer acceptance that may take a significant time (Hellsell 2000). Through the association or co-operation with a local partner, a

foreign firm may have better market access or faster market entry, thus increasing their market share (Contractor and Lorange 1988; Harrigan 1985; Zajac and Olsen 1993; Ebers 1997). For example, historically a foreign firm was not allowed to own or manage distribution channels in the People's Republic of China (PRC) to market their products. In order to gain an access path to a new market like China and overcome this barrier, a foreign firm needed to integrate with networks of local middlemen (Hellsell 2000). Thus a foreign firm may have used Hong Kong based traders to move their goods into mainland China. Furthermore, Hellsell (2000) contends that foreign firms have to deal through complex and multi-layered channels, involving up to five intermediaries including the Hong Kong Trading companies, authorized distributors, local transportation and logistics companies, dealers and resellers. Without participating in this kind of intermediaries' network, access to the PRC market was denied by the entry barrier. However, now foreign investors are allowed a financial interest in certain local companies, resulting in a development of joint ventures between local and foreign companies in various industries (Zapalska and Edwards 2001).

The inexperienced small and medium sized enterprise, venturing into international markets or expansion overseas may depend on a local network partner's knowledge (Contractor and Lorange 1988). It is often expensive, difficult and time-consuming for an individual small and medium sized enterprise to build up its own networking overseas and to position itself competitively in the international market. One venturing approach that may be applicable in this situation is a joint venture with a

local partner. However, such a decision would be based on an assessment of the associated transaction costs (Williamson 1994).

A transaction cost approach conceives of networks as an alternative-organizing instrument both to open markets and management hierarchies (Jarillo 1993; Powell *et al.* 1996). According to Ouchi (1991), transaction costs are a solution to the problem of cooperation in the realm of economic activities. The cooperation problem stems from individuals having only partially overlapping goals and other personal goals being uncoordinated. This approach to network studies claims that organisations will select to organise their activities in the most cost effective way, either through market mechanisms, internal hierarchies or collaborative arrangements with other organisations. Perry (1999) suggests that where neither market nor hierarchy offers a satisfactory way of managing transactions, transaction cost economists envisage network relations as a possible solution. Furthermore, he states that networks replace the certainty of internal management and legally enforceable contracts by relationships based on trust, reputation and dependence. Network relations are flexible enough to handle difficult transactions compared to market transaction; however, they take time to establish because trust and reputation only develop through repeated interactions. Williamson (1985) defines 'transaction' as transfer across a technologically separable interface and taking place during the process of exchange at which agreement is established and ownership rights are transferred. The interest in using the cost effective organising mechanisms can be traced as far back as Coase (1937), and was brought to public attention by Williamson (1985) and other proponents of transaction cost economics in the 1970s (Powell 1990). Most

research in this area focuses on the transaction costs that are induced by investments in specific assets or by conditions of uncertainty (Ebers and Grandori 1997). They agree that other cost categories are not given attention in the research on partners' behaviour, such as hidden costs that relate to legal costs paid to an attorney when negotiating with partners within the network, and some costs incurred by a partner in an effort to increase the benefit of the relationship, such as a new computer system for stock management. Furthermore, little attention is also devoted to researching the costs that are generally associated with the management of networking relationships. When the management activities are not discussed, the associated costs will also go unrecognised (Perry 1999).

Johanson and Mattsson (1998) argue that in a perfect market, transactions are carried out without transaction costs and organisations will select to organise their transactions through a market mechanism. In this condition, information is freely available; there are alternative buyers and suppliers, and no specific transaction between two parties in the market. Transaction costs emerge when a market is uncertain about how to devote its efforts to organising, carrying out and controlling transactions among interdependent actors. As an alternative, it is argued that an organisation will elect to organise such exchanges internally and use their governance structure to handle the outcome (Shaw 1997).

The transaction cost approach isolates the social element in the relationships because it argues that it has no impact upon organising the activities in a cost effective way. However, Granovetter (1985) disagrees as he asserts that social actors do not behave

or make decisions like an atom outside a social context, but the actions intersect with the social categories they carry with them.

4.4.2 The organizational dimension to inter-organisational networks

It has been proposed that a relationship of firms in the network is a source of both opportunity and constraints (Gulati *et al.* 2000). In a study of a firm's position in a network, Gynwali and Madhavan (2001) find that a central firm has greater advantage in access to assets through network ties, earlier access to new information and technology development, and is better informed about what is going on with others than a more peripheral firm. These advantages enable the central firm to take or initiate competitive actions sooner as they react to the information obtained from the networking. In contrast, the more peripheral positioned firm will find it more difficult and costly to access assets and information resources because of less status and power to control events in the network. This situation will cause the less central firm to depend and respond to the competitive actions taken by the central firm at a later time. In the network, an actor may have a different, status and power to influence the actions of other actors (Hakansson and Johansson 1988). At this stage, the networking activities become important in order for the more peripheral firm to stay competitive.

In the informal network, joining in cooperative relationships represents a voluntary action, while in the formal network members are mostly bound by legally enforceable arrangements and agreements (Curran *et al.* 1993; Gynwali and Madhavan 2001). Relationships in the informal network are fragile and subject to

changes at any time. Hakansson and Johansson (1988) point out that a relationship may change, or even break up, in the network as an actor changes the existing relationships with a certain actor, which may cause changes with other related actors simultaneously. The changes in relationships are expected to happen when an actor wants to exploit opportunities by trying to establish new relations inside the network or with a new outside actor. The nature of relationships between the actors should always be flexible to enable everyone to manage the changes and adjust the content of relationships (Hakansson and Johansson 1988).

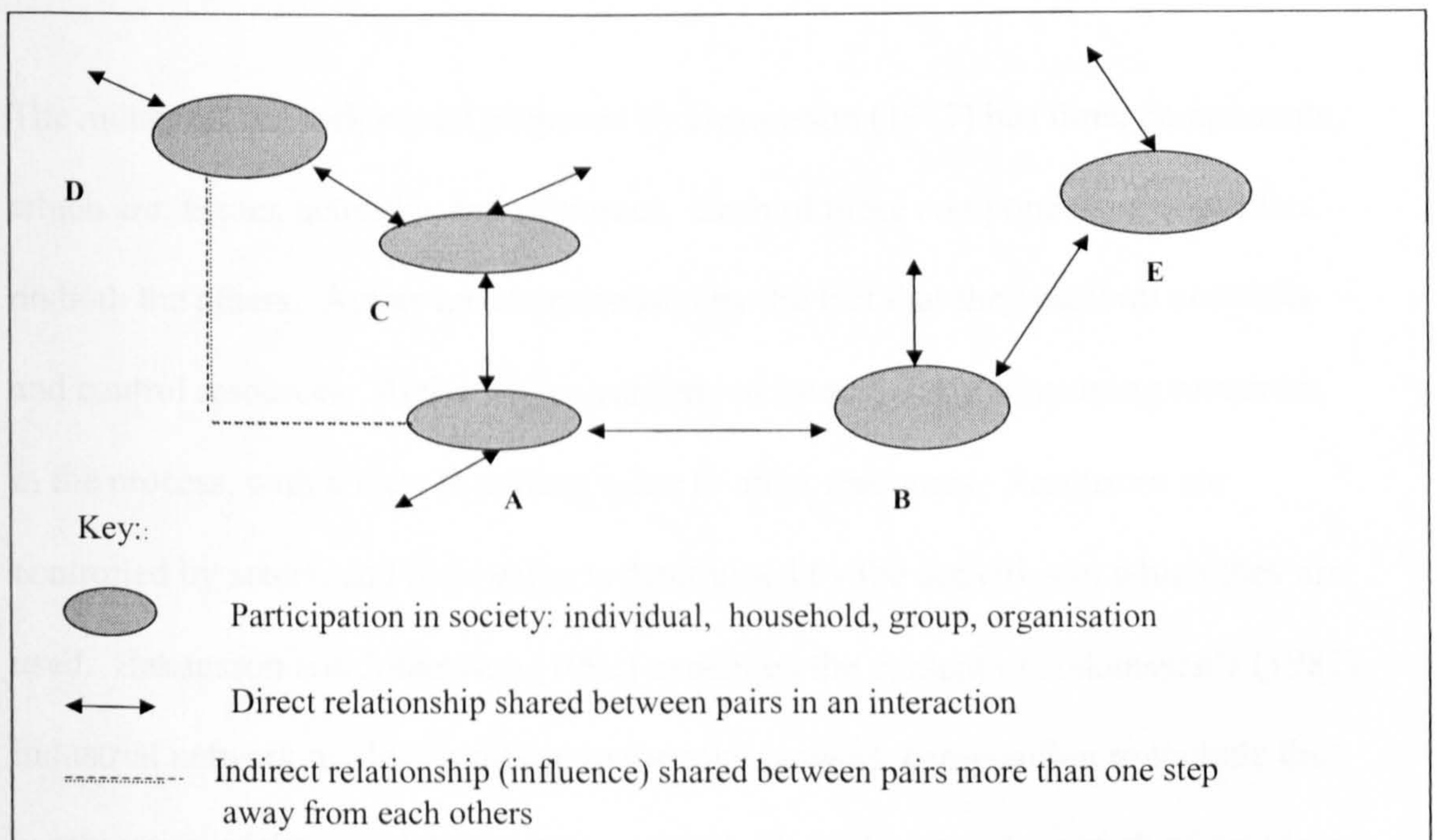
4.4.3 The social dimension to inter-organisational networks

According to Grandori and Soda (1995), the social dimension of inter-organisational network studies' roots are in the sociology and economic of an organisation. They have looked at those networking strategies and behaviours, which cannot be justified by the notion of organisational structure, and organisational economic. In this field of study, the focus is on social network theory and is mostly applied to small group research. This has been widely applied to study the emergence of, and changes in, informal structure, network boundaries, interlocking directorates, participation in non-business institutions and other informal power networks (Grandori and Soda 1995). The social network approach has also been applied to study the long-term buyer-seller exchange relationships of industrial goods in industrial marketing and purchasing activities (Axelsson and Easton 1992).

In a social network, social actors establish relationships with each other to gain the advantages and benefits of networking. The social network map (Figure 4.1)

simplifies the complex structure of overlapping social relationships shared by individuals, households, groups and organisations in a social network. Figure 4.1 shows that the relationship shared between A and B is potentially influenced by the direct relationships shared by C and E. Individuals without direct relationships have to use the intermediaries or network broker to link to those with which they have no direct contact, to gain the benefit of the relation.

Figure 4.1: Social Network Map



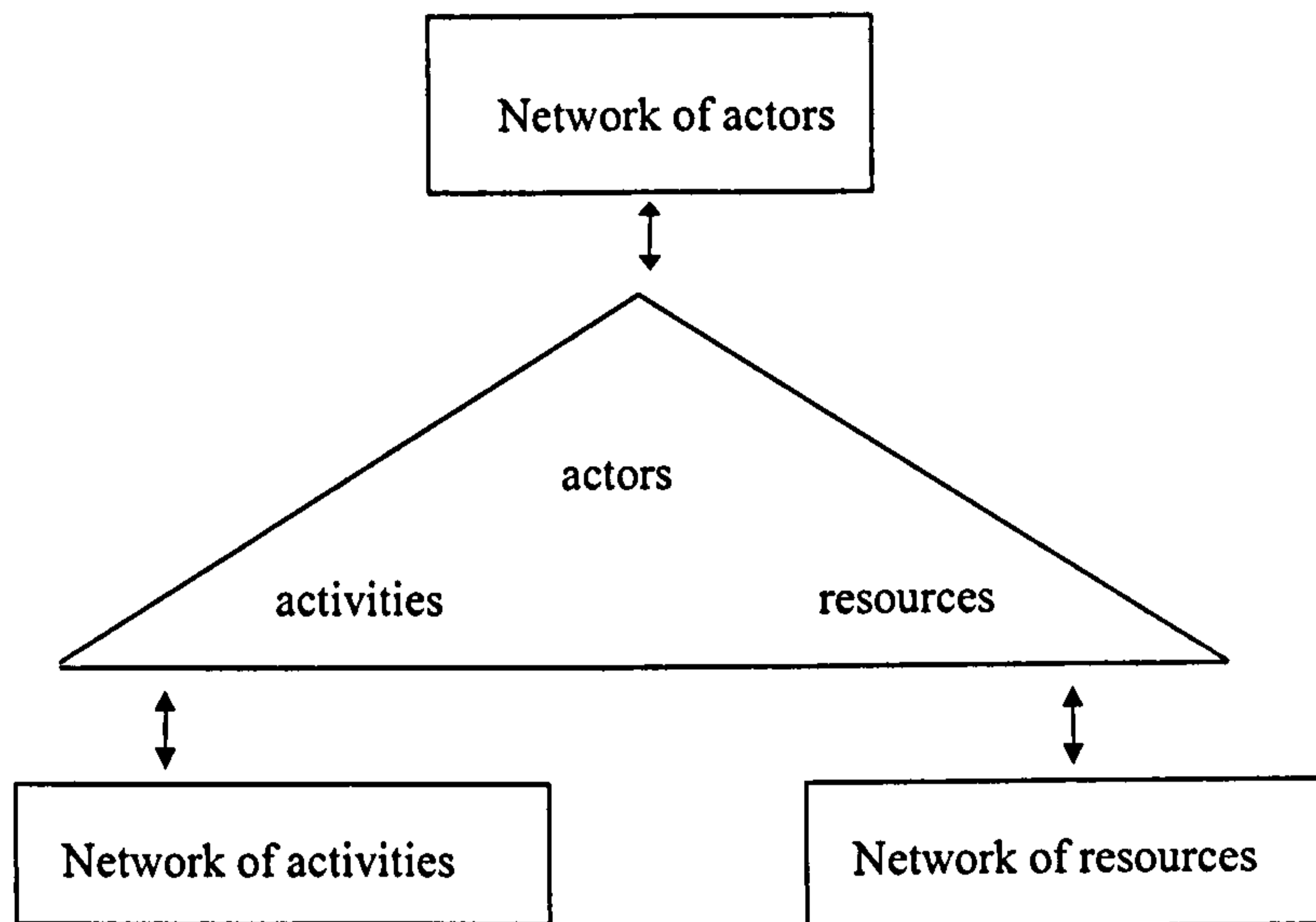
Source: Shaw and Conway (2000:372)

Similar to transactions costs' literature, this approach also conceives of organisations or actors, which engage in collaborative arrangements or activities for developing mutual orientation. In contrast, it conceives of this collaboration as occurring within the context of a relationship. Subsequently, individuals involved in these collaborative arrangements are engaged in social as well as business exchanges.

Thus, Johansson and Mattsson (1998) view firms in the network as social units. They argue that these social and business exchanges are not independent of one another so the cost efficiency in this arrangement can be challenged. Compared to markets in which there are no relationships, and hierarchies which are fixed, this industrial network covers a wide spectrum of possibilities (Axelsson and Easton 1992). In these collaborative arrangements, they define the links between actors by social and economic exchanges, which are conducted within the relationships. Thus, came into being the platform of industrial networks.

The industrial network model proposed by Hakansson (1987) has three components, which are: actors, activities and resources. Each of these components is dependent on both the others. Actors are characterised by the fact that they perform activities and control resources. Activities are carried out by actors, by consuming resources in the process, with a view to adding value to other resources. Resources are controlled by actors, and their value is determined by the activities in which they are used. Hakansson and Johansson (1992) expanded the content of Hakansson's (1987) industrial network model by enlarging the total network composition to include the combination of the network of actors, network of resources and network of activities (see Figure 4.2).

Figure 4.2: Industrial Network Model



Source: Hakansson and Johansson (1992:29)

According to Hakansson and Johansson (1992), the actors, activities and resources of networks are bound together by forces, which include: the functional interdependence of the three networks; the power structure of the actors in the industrial network to control resources and activities; the knowledge structure of the actors to design activities and utilise resources; and the inter-temporal dependence between actors in creating and maintaining their networking relationships.

In the networking activities, actors interact with each other in the processes of exchanges of resources, products, services and information (Hakansson and Johansson, 1988). The interaction in the social network depends on the nature of the relationships between an actor and other actors; such as the fact that the content of interaction in resources exchange will be different from that for information or that for support exchange. Mitchell (1969) suggests that to understand the particular

relationship of an actor with others in a network, the characteristics of interaction should be interpreted. He lists the interactional characteristics of a social network as: content, directedness, durability, intensity, and frequency. The 'content' of a social network refers to the purpose of the relationship such as that for economic assistance or simply for friendship (Shaw 1997). 'Directedness' is the orientation of the relationship, which indicates the direction of the power of the relationship (Shaw and Conway 2000). The 'intensity' of a network is the degree to which individuals are prepared to honour obligations toward the relationships. Finally, 'durability' refers to the recognition of the existence of relationships. According to Mitchell (1969), frequency measures the number of contacts made and amount of time spend on interacting in the relationship in the network.

4.5 Culture and network relationships in Malaysia

Haley and Tan (1999) suggest that relationships have become foundation of successful companies in the Southeast Asia. Two of three success factors are based on relationships with others that are good relationships with public sector, and strong relationships with family and informal networks. The relationships with the public sector are with the government officials as politicians, and informal networks are with relatives, friends and business associates. Similarly, as discussed in the Section 3.6, Malaysians rated building relationships with others as an important value before engaging in business relationships. According to Abdullah (1996), in building a durable relationships, managers are encourage to spend more non-work time with sub-ordinates in order to establish informal relationships. This can take the form of social and sport events, picnics and retreats and should communicate in friendly

form. As Malaysians are more collectivistic, managers are urged to treat individuals as a part of team not as independent individual. Hence managers should promote work that allows juniors to learn from senior members and develop spirit of togetherness among members. This cultural values also underlying the concept of *gotong-royong*, which means co-operation based on communality (Storz 1999). In this *gotong-royong*, the 'give and take' concept and togetherness is valued higher than monetary reward. Furthermore, the emphasis on *gotong-royong* also implies the tendency of avoiding conflict. As the relationships are reciprocated (Section 3.6), co-operation can also be extended as an extension of close relationships and support for one another in a social community such as the village and associations.

Furthermore, a learning environment and promoting *budaya ilmu* (knowledge culture) and continuous learning are also encouraged within an organisation or group. In this hierarchical ethnic (section 3.6), the leaders or seniors are expected to be competent in the technical expertise as well as social matters, seen as exemplary and should offer guiding for juniors and others. It is considered appropriate to assume that these local values and culture of management are also become the underlying concept in the business and social networking relationships of the Malaysians communities.

4.6 The Small firm network

Perry (1999) suggests that small firm networks constructed around social networks develop through associations formed by family, friends and acquaintances.

According to Perry (1999), small firm networks can be viewed in the form of types

of networks that are represented by different linkages, which are family and ethnic, place, organizational, and buyer-supplier networks (see Table 4.4).

Table 4.4: Small firm Networks

Network type	Linkage characteristics	Examples	Issues
Family and ethnics	Ties based on family and personal contacts, embedded in close knit communities	Overseas Chinese, ethnic minority enterprise, family business	Dependence on ethnic resources, enclave economies, impacts of racism
Place	Geographical proximity and shared commitment derived from common values And goals	Third Italy, Silicon Valley, Japan's Jiba Sanggo	Sustainability, variation between Industrial districts, origin as a barrier to replication
Organisationa	Investment or ownership ties or membership of industrial association	Business groups joint ventures, chamber of commerce, industrial bodies	Small firm status in horizontal and vertical groups, influences on industry cooperation
Buyer-supplier	Interaction to enhance role of suppliers and subcontractors	Relational subcontracting	Extent of change in subcontracting, used of vendor rating, impact of global manufacturing

Source: Perry (1999:25)

The linkages of family based on the utilisation of personal and family contacts that are usually embedded in close-knit communities (Fadahunsi *et al.* 2000; Perry 1999; Ram 1994). The examples of this type of network are the Overseas Chinese networks, ethnic minority enterprise and business family (Fadahunsi *et al.* 2000; Haley and Tan 1999; Perry 1999; Ram 1994). They engage in business activities that can operate on the basis of capital and gain an advantage from the flexibility of labour drawn from family members. The place network, which is usually referred to as an industrial district network is based on cooperative and competitive business

relations in a geographical locality. Small firms operate in an industrial district and share a common industry, values and goals. However, they operate with a high degree of specialisation and a high use of subcontracting. Examples of industrial district networks are the Third Italy, Silicon Valley and Baden-Wurttemberg (Staber 1998). The third type of small firm network suggested by Perry (1999) is an organisational network that ties the firms under a common ownership, like business groups or joint ventures or an associate with a large firm. Examples of small firms that associate with large firm networks are the Japanese *keiretsu* and Korean *chaebol* (Kienzle and Shadur 1997) as was discussed in Section 4.3. Another network relationship that ties a small firm is membership with the chamber of commerce or industry association. The final type of small business network is the buyer-supplier network that is formed through relational contracting or ongoing relations of exchange.

Small firm networks may be distinguished by different linkages according to the form of the type of network (Perry 1999). However, they share the same structural characteristics. The small firm network can be measured by its characteristics: the density; diversity; relationships and ties; and the trust and network content (Birley *et al.* 1991; Cromie *et al.* 1994; Field *et al.* 1994; Johannisson and Nilsson 1989; Johannisson 2000).

4.6.1 Network density

Network density measures the extent to which social actors are connected directly to each other in the social network (Mitchell 1969). The density of a social network is

the extensiveness of the ties between persons that would potentially be created if every person in the network were directly connected to each other (Mitchell 1969; Johannisson 2000; Shaw and Conway 2000). Mitchell (1969) suggests that the measure of density can be used to distinguish between social networks, which are 'tight' or 'loose' knit. In the tight knit network, the actors are more likely to know each other. In the small firm network, information travels fast and is spread around the network when every member has direct contact and knows each other (Cromie *et al.* 1994). This will facilitate the processing of information and ensure it is passed to the relevant person. According to Birley *et al.* (1991), direct contact is important; the more persons the network actors know in the network the better, because they are able to know how and where to contact the right person. In their study, Cromie *et al.* (1994) found that approximately 49 per cent of business founder networks consisted of strangers. This network is considered fairly dense since only half of the members knew each other and information might not travel at a high speed within the network. In Malaysia however, small firms are operating in a dense network of family firms and clan groups (Whah 2003). Therefore, it is believed that members of the family and clans networks are well connected.

4.6.2 Network diversity

Some studies have indicated a male domination in network contacts (Birley *et al.* 1991; Cromie *et al.* 1994). This may be indicative of networks in general, or it may be culturally dependent. In some societies, men occupy the dominant position in most organisations and as a consequence they have more privilege than women.

However, women are included in personal networks as Birley *et al.* (1991) find women represent 25 per cent of the Northern Ireland entrepreneur personal network. Turning to the life cycle of owner-manager small firm networks, most of them are middle-aged (Birley *et al.* 1991; Cromie *et al.* 1994). This indicates that older people normally have more friends and associates in their contact list.

Small firm owner-managers establish relationships with associates from different backgrounds for different reasons. According to Aldrich *et al.* (1987), an entrepreneur has relationships with lawyers, governments, suppliers, friends, financiers and universities. In a Northern Ireland entrepreneur network study, Birley *et al.* (1991) found that two-thirds of the personal contacts are individuals who work in surrounding organisations, and who are managers, suppliers, clients, engineers, technicians and government employees. The entrepreneur will then include a range of professionals, like lawyers and accountants in a personal network at a later stage. In contrast, entrepreneurs in Gujarat and Kerala in India have more family and friends as active contacts in their personal networks (Ramachandran *et al.* 1993). As mentioned in Section 4.5, small firms network relationships consist of government officials, politician, family members and informal networks.

4.6.3 Network relationships and ties

Actors tie in relationships with others in the network. The relationships may be formal or informal bonds or direct or indirect linkages. The informal relationships are the personal relationships with family and friends, while the joint ventures, licensing agreements and buyer seller relationships are formal (Shaw and Conway

2000). Direct contact is important in networking, but indirect contact may be created and reached via direct associates. In the Cromie *et al.* (1994) study, the direct contacts of community brokers' networks do offer opportunities to extend their networks and then create a web of interlinked associates across the region. Aldrich and Zimmer (1986), and Birley *et al.* (1991) note that an entrepreneur uses the network contacts to collect information for friends and sometimes make commitments available to them. Furthermore, the small business owner-manager prefers informality for gathering business information (Birley *et al.* 1991).

On sourcing information for better ways of running the business and solving serious business problems, Field *et al.* (1994) contend that the small firm owner-manager in New Zealand turns to business and formal contacts as his/her most important resources; this contrasts with Birley *et al.* (1991). In their study, business contacts are customers, employees, and business partners and associates, while formal contacts are mainly professionals such as accountants, bank managers and lawyers. However, for new markets and sales opportunities, small firm owner-managers rely on informal and business contacts more than on formal ones. The informal contacts are family, business friends and other friends.

The ties of relationships between actors with their contacts can be strong or weak. A small firm owner-manager is attached with strong ties to family and close friends; these are based on relationships of trust (Bian 1997; Granovetter 1973; Uzzi 1997). These strong ties are important in the early years of a firm due to the emotion and intimacy attached to the relationship. As business develops, the small firm owner-

manager gradually weakens these ties (Brereton and Jones 2001). By contrast, the weaker ties involve less emotional bonds but high levels of uncertainty and opportunism (Granovetter 1973; Perry 1999). Opportunism is always possible because every person who engages in the relationship expects to gain from it. Furthermore, according to Granovetter (1973) strong ties tend to bond similar people to each other and as a result no new ideas are generated or new fresh information gained, because of homogeneity, while weak ties, such as with a supplier or customer are more resourceful, acting as a bridge connecting into a new network and a new source of information. A durable weak tie later on may develop into a stronger tie, as a business contact becomes a friend. The problem of a weak tie is that it provides an easy exit. This happens when a person gives up the relationship when expectations are not met (Dubini and Aldrich 1991). For the survival and growth of the firm, it is beneficial to a small firm owner-manager to have relationships with a diverse number of ties, both strong and weak.

4.6.4 Trust

Trust is a basic element of a personal network of relationships (Dubini and Aldrich 1991; Perry 1999). In a comparative investigation of buyer/supplier relations in Japan and the UK, Sako (1992), has categorised trust into three classifications: competence trust, contractual trust, and goodwill trust. He refers to competence trust as the confidence that other parties will perform their obligations competently based on their skill and capability. Contractual trust refers to the confidence that specific agreements will be enforced. Both parties expect their counterpart to deliver promises according to the specification. Goodwill trust refers to the mutual

expectations both parties have and an open commitment to be willing to do more than what has been agreed. It is difficult to determine which type of the above trust is superior and which one is not, as the above categories of trust are inter-related. Before an agreement of a contract takes place, competence trust should be fulfilled and contractual trust is involved at the point of the agreement. Goodwill trust develops as the transactions of the contract that are carried out satisfy or exceed the minimum requirement (Perry 1999). However, in the East including Malaysian Chinese family business networks do not rely on formal contracts; instead they depend on trust as the foundation of networking arrangements (Kienzle and Shadur 1997; Perry 1999; Whah 2003). Furthermore, the trust relationship whether in the Eastern or the Western societies is not only restricted to the parties directly involved in the transactions, it is also demanded from the reciprocal or network brokers (Abdullah 1996; Johannisson 1986; Whah 2003). With the existence of trust between the transactions' partners the network relationships can be a more effective means of economic co-ordination (Ebers 1997).

4.6.5 The content of a network

Mitchell (1973) suggests three ways in which the contents of links of a social network might appear: communication content, exchange content, and normative content. Communication content relates to the passage of information from one social actor to another. The type of information which passes on through the network is influenced by the network attributes (Blackburn *et al.* 1990). For example, in the small firm network, owner-managers exchange information such as new market opportunities and the new technology available. According to Mitchell

(1973), exchange content links the set of economics or commercial transactions between actors in the network; and this is backed up by Blackburn *et al.* (1990) and Szarka (1990). The exchange relations concerning small firms are the exchange of resources, goods and services (Aldrich and Zimmer 1986). Mitchell (1973) refers normative content to the norms and expectations that actors have about each other from the relationship. Actors have expectations of one another because of some characteristics or attributes of the relationship (Aldrich and Zimmer 1986). For instance, an owner-manager of a small firm expects certain behaviour of suppliers and at the same time assumes that some set of normative principles applies to their relationships (Blackburn *et al.* 1990). However, the contents mentioned above are interdependent and overlap as the exchange networks also carry information that might also be associated with goods or services (Johannisson 2000). Information that is associated with the transaction creates mutual dependencies and influence. Johannisson (2000) treats Mitchell's normative content as networks of influence because it creates a legitimacy that influences the activities of the network. As mentioned in the Section 4.5, the content of relationships among the Malaysians firms are mainly towards co-operation for profit and learning from senior members.

4.7 Networking in the tourism and hospitality industry

There appears to be increasing attention given to the importance of networking in the tourism and hospitality industry (Augustyn and Knowles 2000; Ateljevic *et al.* 1999; Chathoth and Olsen 2003; Copp and Ivy 2001; Leslie and McAleena 1990; Lynch 2000; Medina-Munoz and Garcia-Falcon 2000; Morrison 1998; Morrison *et al.* 2002; Page *et al.* 1999; Pavlovich 2003; Telfer 2001; Tinsley and Lynch 2001; Hwang *et*

al. 2002). It is not the intention here to repeat Sections 3.4 and 3.5, rather to emphasize that the network approach has been used to achieve a variety of functions for tourism and hospitality firms: marketing strategies (Leslie and McAleena 1990; Morrison 1998); collaboration between firms at the destination (Augustyn and Knowles 2000; Medina-Munoz and Garcia-Falcon 2000; Page *et al.* 1999; Telfer 2001; Tinsley and Lynch 2001); as a tool for obtaining resources, information and advice (Ateljevic *et al.* 1999; Augustyn and Knowles 2000); and networking activities among firms within the networks (Copp and Ivy 2001; Lynch 2000). Collaboration between a tourism firm and other tourism businesses and with other organizations has been linked to the development strategy of tourism destinations (Augustyn and Knowles 2000; Medina-Munoz and Garcia-Falcon 2000; Page *et al.* 1999; Telfer 2001; Tinsley and Lynch 2001). For example, a strategic alliance between a trade organisation, wineries, grape growers and government organizations has led to the development of wine tourism in Niagara (Telfer 2001). In an investigation of the level of co-operation within the wine tourism industry in the Niagara region, Telfer (2001) reported that formal and informal collaboration, and vertical and horizontal linkages exist between all sectors. The wineries are formally allies with wine associations and regional wine councils, and informally promote other area wineries by word of mouth to visitors during their interaction. Horizontal linkages between the wineries, wine boards and organizations, and marketing agencies have developed the Niagara Wine Routes as tourist products; whilst the vertical collaboration with tour operators, accommodation providers, restaurants and festival organizers has supported the tourist activities in the destination. Collaboration benefits all the tourist product providers through joint marketing

initiatives (Hwang *et al.* 2002; Leslie and McAleenan 1990; Morrison 1998), knowledge sharing (Telfer 2001), and the creation of new products, as well as promoting the destination and contributing to destination development (Tinsley and Lynch 2001), and because of a personal need to belong to a particular association such as 'Master Chefs of Great Britain' (Oliver 1990).

However, Hwang *et al.* (2002) argue that networks in tourism and hospitality may not be homogenous: they instead suggest that each sector belongs to a different network. This is related to the different purposes served by different organisations or associations. For example, trade associations aim to provide services to members to reduce costs, and the marketing consortia assists firms in their sales and marketing efforts. Furthermore, according to Hwang *et al.* (2002), other features are the geographic coverage, the size of the firm and the nature of the business it serves, whether local or international. Clearly, this indicates that a specific study should be carried out for a specific sector or sub-sector.

In another example, a social or informal network is considered to play an important role in the business development of micro and small firms in the hospitality sector (Lynch 2000). In a homestay networking study, Lynch (2000) suggests that networks at all levels are more likely to be informal with a high content of affective relationships. In the networking activity, the hosts were identified as giving advice on cost-cutting and reference for good practice. As a result, the informality is seen to influence the quality of host and supports interventions, and the training and development of the host family sector. Lynch (2000) predicts that there may be

similar relevance in other accommodation sectors. Furthermore, the context of Lynch's (2000) homestay networking study was in an urban setting; thus, it is appropriate for further research to take place in a rural setting. Moreover, networking activity is considered important to the small tourism and hospitality firms for their survival. Therefore, networking activities allow the small firm owner-managers to learn from others' success factors as well as to obtain information and advice on business and social matters. However, how small tourism and hospitality owner-managers participate in the social networking activity has not been explored in any depth.

4.8 Social networking activities

In order to study networking activities, it is important to understand the activities engaged in by owner-managers of small firms. It is understood that networking is action oriented and entails making contact and building a relationship with other individuals (Cromie *et al.* 1994:385). In networking, some network members devote substantial effort to these networking activities in order to gain access to the resources and information other members possess. Therefore, understanding the social networking activities can be achieved by examining the inter-actional dimensions of a social network (Mitchell 1969; O'Donnell *et al.* 2001; Johannisson 2000). Since the networking activities occurred during the social interaction between the small firm owner-manager and other social network members, it also can be understood by examining the: type of activities; where it takes place; what they discuss; amount of time spent; time spent in making networking journeys; and

frequency of contacts made with other members in developing and maintaining network relationships.

4.8.1 Type of activities

Generally, small firm owner-managers are aware that there is potential to gain benefits from the network, and that utilizing networking is a vital 'business resource' (Shaw and Conway 2000). Active members could utilise the network by participating in the networking activities with others to exchange resources or information, maintain relationships, develop new relations and keep up-to-date with the development of the network. Shaw (1997) suggests four activities engaged in by the small firm owner-manager: bartering, promotion, hospitality and the way in which client work was handled. In her research into a small graphic design firm network, she illustrated that bartering exchanges take place as part-payment for design work that is commissioned by a small firm for asset acquiring or using other services. Small firm owner-managers tend to promote their products and services via word-of-mouth through the contacts within the network (Ateljevic *et al.* 1999). Shaw (1997) argues that promotion through networking was rated by the small graphic firm as an effective way to get a place on client tender lists, to attract new business and secure the return of repeat business. This is how the work was being handled in the design sector as a number of clients told how they were referred and recommended by friends. The small firm owner-manager views hospitality where they make use of business lunches with clients, as a way of appreciating the relationships as well as securing long-term relationships (Field *et al.* 1994). In the case of the Malaysia, the networking activities are informal such as treating other

members with meals, drinks (beer drinking for Chinese Malaysian), and *karaoke* entertainment (Whah 2003).

4.8.2 The networking place

Networking activities can take place in any location since the network relationships of small firm owner-managers are informal and socially embedded. As mentioned in Section 4.6.1, small graphic design managers entertain their clients at business lunches (Shaw 1997). Small firm owner-managers also seem to extend networking activities to meetings with other people at social and recreation clubs (Birley *et al.* 1991; Ramachandran *et al.* 1993). Interestingly, in some cultures like Indians and Malaysians networking activities may take place in religious group meetings and community events and gatherings (Ramachandran *et al.* 1993; Hamed 1995). The popular networking places among the urban Chinese Malaysian businessmen are nightclubs and *karaoke* entertainment clubs, and restaurants and coffee shops for the small firm owner-managers in small town (Whah 2003). Networking also could take place in formal arrangements, as for example network brokers like Wellington Chamber of Commerce arrange various networking vehicles, such as networking functions, luncheons, breakfasts and education seminars for the members (Field *et al.* 1994).

4.8.3 The aspect of discussion in networking

Small firm owner-managers are more likely to devote some time and money to benefit the network relationships. In doing so, network members utilise the network relations by discussing business matters with other members in networking meetings,

as reported by Cromie *et al.* (1994). They reported that network members frequently discuss business with their counterparts during the meetings. In addition, some owner-managers take the opportunity to get business advice through discussing their business problems with their business contacts (Johannisson and Johnsson 1988; Field *et al.* 1994); however some are not willing to discuss their business problems openly as they prefer to manage their firms in a much more personalised way (Ateljevic *et al.* 1999). In the case of Malaysia according to Whah (2003), networks members discuss about new business opportunity, new project, and financial matters like requesting for credit facility and checking on the outstanding accounts.

4.8.4 Time spent on networking activities

In the case of networking activities, network members invest time and effort to maintain the relationships with their network contacts (Birley *et al.* 1991; Cromie *et al.* 1994; Johannisson and Nilsson 1989). For example, Johannisson and Nilsson (1989) reported that one-third of Swedish entrepreneurs spend more than 5 hours a week to maintain the network relationships. A similar effort was put in by Northern Irish entrepreneurs, where 36 per cent of them spent the same amount of time weekly in maintaining the relationship (Birley *et al.* 1991). However, Ateljevic *et al.* (1999) found that tourism entrepreneurs in New Zealand are less likely to spend time in networking. This is due to people involved in tourism having little time for activities other than business operations. It is also reported that small entrepreneurs make journeys to meet other network members. Cromie *et al.* (1994) found that 70 per cent of Irish entrepreneurs have spent at least five hours monthly in traveling to

manage their network contacts. However, there were only 45 per cent of entrepreneurs in Sweden who spent the same amount of time on travel (Johannison and Nilsson 1989). The time spent for the journeys may be less if the network is locally based and the members reside in proximity. It is clearly shown that network members allocated time and made journeys in maintaining networks relationships in many communities. Malaysian owner-managers are also investing a lot of money and time in networking relationships, however the amount of money and time spent is depending on the potential benefits of the meeting and the status of the counterparts (Whah 2003).

4.8.5 Frequency of contacts with other members

Birley *et al.* (1991) reveal that entrepreneurs contact each of their most widely used network contacts about eleven times per month. In the case of Northern Irish entrepreneurs, they have mostly known each other for around eight years. In contrast, the longer network members know each other, the fewer the number of times they need to contact each other to maintain the network relationship. This comparison can be seen in Johannisson and Johnsson (1988), where 64 per cent of Swedish entrepreneurs contacted their network contacts six times per month and they knew each other for approximately eleven years. Since Malaysians view networking relationships are informal (Abdullah 1996; Whah 2003), it is believed that the frequency of contact made is unpredictable and it only take place when it is required.

4.9 Justification for further research and factors considered in the study of small chalet firm owner-managers' networks

In Section 4.7, Hwang *et al.* (2002), suggest that each sector belongs to a different network, which has its own purpose. This means the small accommodation sector, particularly the chalet accommodation sector, may have a network with a specific purpose. Therefore, a research to investigate the purpose of network relationships in the small chalet accommodation sector should be carried out. According to Lynch (2000), the informal network has influence on the homestay firm's business development, and he suggests it also appears in other accommodation sectors. Furthermore, the context of Lynch's (2000) homestay networking study was in an urban setting. Therefore, it is appropriate for a research on networks in the context of the small chalet accommodation sector, to be carried out in the rural setting particularly at the coastal and island destinations. It was understood that owner-managers make and build relationships through networking activities (Section 4.8). Therefore it is appropriate for further research to examine the activities engaged in by small chalet owner-managers in networking.

In order to carry out this research on the small chalet accommodation firm, several factors are now considered relevant for the study. Firstly, is the type of the owner-manager's networks. This is identified using Perry's (1999) small firm network types: family and ethnic; place; organisational; or buyer-supplier. It is considered important to identify the network type in order to understand the features, characteristics and linkages of the networks. However, in contrast to the manufacturing sector, buyer-seller relationships may not be significant for the small

chalet sector. The second factor is the content of the owner-managers' networks. To understand this, Mitchell's (1973) and Szarka's (1990) classifications are used: communication, exchange, and normative (social). The content of the networks is most likely similar to all networks; however, the content details may be different depending on the ties of the relationships (Johannisson 2000; Mitchell 1973; Szarka 1990; Whah 2003). Thirdly, is the utilisation of the network relationships by the owner-managers of the small accommodation firms. This is to understand how owner-managers utilise networking relationships in order to overcome business problems in the early years of business and at the later stages (Sections 3.4 and 3.5). The fourth factor is the motivation and benefits of the network. It is important to understand the factors considered by the owner-managers before joining network relationships and to identify the benefits gained from networking (Hwang *et al.* 2002). Therefore, the outcome of the networks for the owner-managers can be measured. Lastly, is the networking activity of the small accommodation firm owner-managers; to understand the level of networking activities of owner-managers in order to maintain the network relationships based on the research by Ateljevic *et al.* (1999), Birley *et al.* (1991), Cromie *et al.* (1994), Johannisson and Johnsson (1988), Johannisson and Nilsson (1989), Hamed (1995), and Shaw (1997). Therefore, the level of networking activities can be measured and ways to improve networking may be recommended.

Thus, taking into consideration the above factors, an analytical framework of networks and networking to be applied to small chalet owner-managers for empirical study is introduced and illustrated in Figure 4.3.

Figure 4.3: The Analytical framework

Analytical Framework of the Network and Networking for Small Chalet Owner-managers Study

Type of Networks			
	Family	Place	Organisation
Ties	Family members Friends Personal Contacts	Friends from same village and same type of business	Development Agency State Tourist Board Associations
Content	Exchange Communication Social	Exchange Communication Social	Communication Assistance
Utilisation	Help Advice	Advice Knowledge	Assistance Knowledge
Motives and Benefits of Network			
	Marketing Information Personal needs	Cost reduction Bigger market Credit	Risk reduction Discount Improve performance
Networking Activities			
	Type of activities Networking place	Networking journey Frequency of networking	Time spent for networking Money spent for networking

Source: Ateljevic *et al.* (1990); Birley *et al.* (1991); Cromie *et al.* (1994); Johannisson and Johnsson (1988); Johannisson and Nilsson (1989); Hamed (1995); Hwang *et al.* (2002); Lynch (2000); Mitchell (1973); Perry (1999); Shaw (1997); Szarka (1990)

This framework assumes three types of networks that exist in the small chalet sector at the study locations: family, place and organisation. The features of the networks will be analysed based on the characteristics of ties and relationship, contents and network utilisation. The network motives, benefits and networking activities are to be measured in general using the given variables.

Drawing from literature (Fombrun 1982; Davern 1997; Ebers 1997; Grandori and Soda 1995; O'Donnell *et al.* 2001), the working definition of a network to be employed in this study is established as follows:

‘a set of relationships between the individuals that exist, planned or unplanned, for the actors to achieve business or social purposes. It also serves as a platform for the individuals to interact in the networking activities. The individuals can be owners or managers of small firms, or any person, any firm, association or a group of people that has network relationships with them. It should become a kind of place to exchange resources, ideas, discussion or just meet for business or social events.’

4.10 Summary

Literature has demonstrated that through networking, small firms have the potential to gain better market access or faster market entry, access to know-how and new technology, reducing risk in, and cost of joint venture projects, personalised subcontracting agreements and a fast track to learning and advice available within the network. It has been understood that the study of inter-organisational networks can be carried out in three dimensions: economic, organisational, and social.

However, for the small firm, the network is more likely developed around social networks that tie family, friends and acquaintances. The local culture may also shape the relationships among the network members to some extent. Network motives and benefits for tourism and hospitality seem to be consistent with other industries.

Therefore, it is considered appropriate to adopt the concepts associated with small firm networks in general for the study of small firms in the accommodation sector.

However, adjustments should be carefully made to suit the nature of the sector.

Hence, the factors considered for the study of small chalet owner-managers are: types, contents, utilisation of networks, and the networking activities engaged in. The strategies and methodology to be employed in carrying out this research are discussed in Chapter 5.

Chapter 5

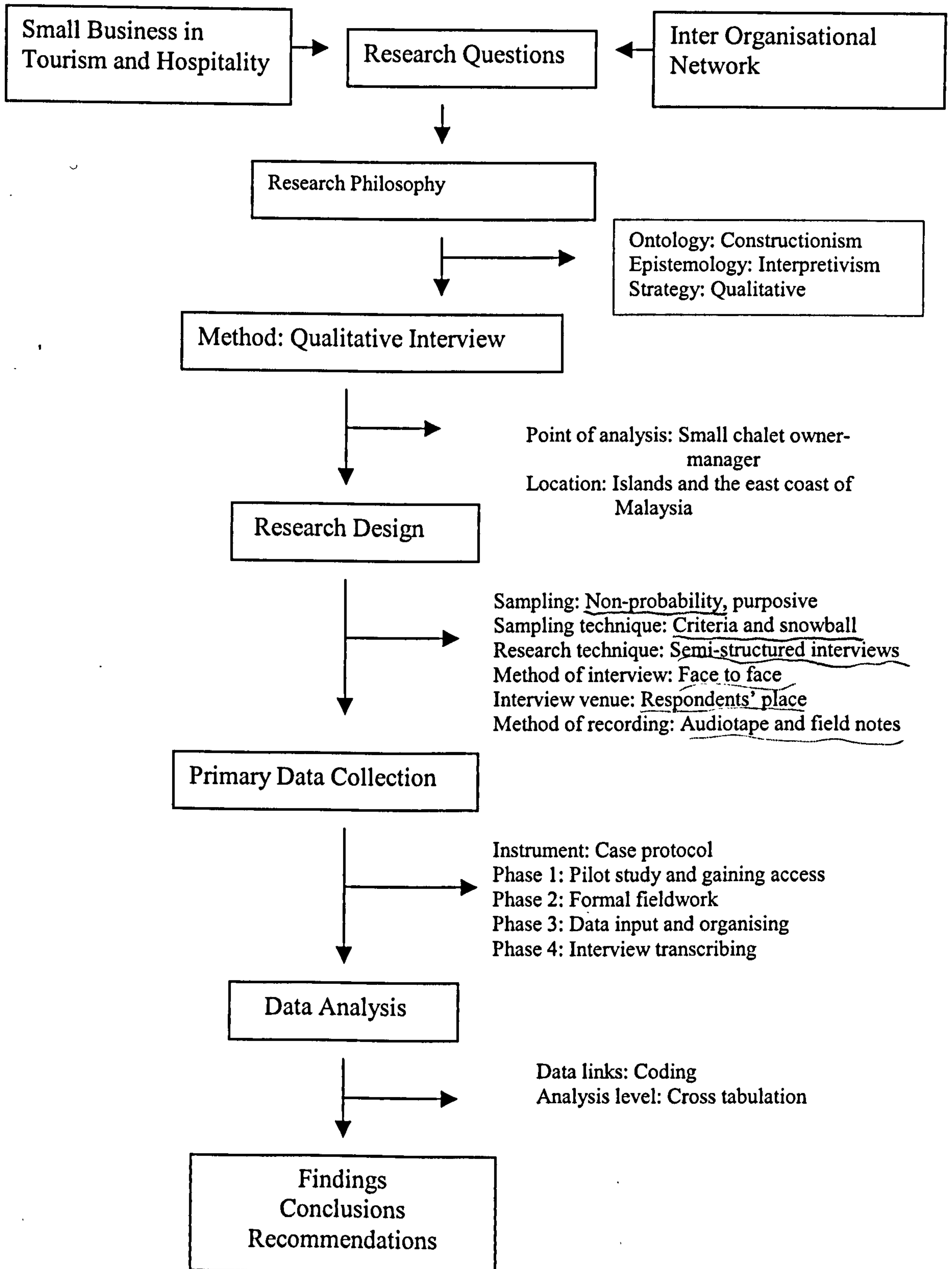
Research Methodology

5.1 Introduction

2 3 4 5

This chapter describes the research philosophy, strategy, design and methodology adopted for the study of the business and social networking of owner-managers in small tourism and hospitality firms. The research philosophy discusses the ontological and epistemological positions for this research. The discussion reveals that a qualitative strategy is appropriate. Having justified the strategy adopted, this chapter compares a range of options prior to selecting the case study design. The sampling considerations and techniques describe how the cases were selected. The data collection procedures and analysis suggested by the methods are then described. The research method used was evaluated in the end of the chapter. Figure 5.1 illustrates the research map that shows the flow of the research process and is used as a framework to structure this chapter.

Figure 5.1: Research Map



5.2 Research Philosophy

The research into small chalet owner-manager networks involves the study of the behaviour and activities of human beings; which means that this research is concerned with the nature of reality in the social world. The key issues that arise in researching the social world are in understanding the nature and the ways of learning about the social world. These issues relate to the philosophical belief about the world that has ontological and epistemological elements. Ontology is concerned with beliefs about research, which can be defined as 'the nature of the world and what we can know about it' (Snape and Spencer 2003: 16). This is about the understanding of the nature of existence and the structure of reality that exists within the social world (Crotty 1998); it is about the reality that researchers investigate (Healy and Perry 2000). Snape and Spencer (2003) pointed out key ontological questions in doing social research that concern social reality: whether it exists independently of human conceptions or not; whether it is common or not; and whether social behaviour is governed by laws or otherwise. Epistemology deals with the nature and general basis of knowledge being researched (Crotty 1998; Hamlyn 1995). This provides a basis for deciding what kinds of knowledge are possible and how they can be acquired (Maynard 1994; Snape and Spencer 2003). Furthermore, the epistemology also indicates the relationship between the reality being researched and the researcher (Healy and Perry 2000).

In order to take the ontological and epistemological stance adopted for this research, it is considered appropriate to discuss the perspective of inquiry paradigms that lead

to the decision. Table 5.1 demonstrates the basic belief of inquiry paradigms in relation to the elements of ontology and epistemology.

Table 5.1: Basic belief of alternative inquiry paradigms

Elements	Paradigms		
	Positivism	Critical Theory	Constructivism
Ontology	Reality is real and apprehensible	Reality historical and shaped by social, political, culture, economic, ethnic, and gender values, crystallized over time	Multiple local and specific "constructed" realities
Epistemology	Objectivist: findings true	Subjectivist: value mediated findings	Subjectivist: created findings

Source: Adapted from Guba and Lincoln (1994:109); Healy and Perry (2000:119)

Positivism assumes reality exists and is apprehensible, and driven by natural laws and mechanisms (Guba and Lincoln 1994). The ontological belief of the positivist is realism, that knowledge is acquired through the gathering of the facts that provide the basis for laws; therefore research into the natural and social world should apply the same kind of approach and method to conducting the study (Bryman 2001). In this paradigm, the researched 'object' is assumed to be independent from influencing or being influenced by the researcher during the course of study (Bryman 2001; Snape and Spencer 2003). Therefore, the findings of the study are considered as the truth that is derived from inquiry that was based on the point of view of the researcher (Guba and Lincoln 1994). However, a positivist view appears to be

inappropriate to the study of social phenomena that involves humans and their real life experiences, for treating respondents as being independent and it ignores their ability to reflect on their situations (Healy and Perry 2000).

Reality in the critical theory paradigm is assumed to be apprehensible and to incorporate historical situated structures but has changed over time and the changes were shaped and transformed by factors such as social, economic, ethnic, political, cultural and gender values (Guba and Lincoln 1994). Furthermore, the researched object is assumed to be inter-dependably linked with the researcher, thus influencing the inquiry, and may offer changes in understanding of the object or event studied and the findings (Bryman 2001; Guba and Lincoln 1994).

Constructivists believe that reality actually consists of 'multiple realities' that people have in their mind (Healy and Perry 2000). The reality is knowable through socially constructed meanings; however it may not be widely shared by individuals or across cultures because it is dependent on how individuals or groups regard the meaning constructions (Guba and Lincoln 1994; Snape and Spencer 2003). Furthermore, the knowledge is assumed to be 'contingent upon human practices, being constructed in and out of interaction between human beings and their world, and developed and transmitted within an essentially social context' (Crotty 1998:42). Therefore, the researched object is interactively linked with the researcher so that the findings are literally created through the interactions as the inquiry proceeds (Guba and Lincoln 1994). This constructivism approach appears to be suitable for the social sciences,

particularly behaviour research such as that into certain phenomena, events or activities (Healy and Perry 2000).

Based on the above discussion of ontological and epistemological assumptions, it is considered appropriate to adopt the constructivist paradigm in conducting this research. The decision is based on the nature of the phenomena of the networking behaviours of the small chalet owner-managers in the study areas that has no way of knowing whether they share the same meanings and realities with other groups analysed in the literature (Sections 4.5, 4.6, 4.7, and 4.8). Furthermore, the owner-manager's 'networking world' is comprised of human beings who have experience of interaction activities with other individuals around their social environment and this appears to fit this philosophical belief (Lincoln and Guba 2000; Shaw 1997).

5.3 Research Strategy

Most research into networks published in the leading journals in the United States (US) employed a quantitative method of analysing data and research that applied a qualitative method seemed to be underrepresented (Oliver and Ebers 1998). In their analysis of network research, they found that non-US network research is more qualitative. The qualitative methods employed by the studies in this area, specifically in relation to the small business networks have provided little understanding of the content of network relationships (Blackburn *et al.* 1990).

However, a review of small firm literature reveals the emergence of a preference for a phenomenological approach by researchers of small firm studies that employ qualitative methods of collecting data and analysing empirical data (Shaw 1999).

The field of small business research has been dominated in the past by structured questionnaires and quantitative analysis (Chell and Howarth 1992). However, such approaches are considered to be inadequate, instead Chell and Howard (1992) recommend humanism, and qualitative philosophies. Humanism is the study of people and humanists believe that there is no real world to discover and knowledge is constructed, not discovered (Gabriel 1990; Hirschman 1986). In this humanist paradigm, data are generally collected using qualitative methods, which provide an insight into human behaviour (Guba and Lincoln 1994; Miles and Huberman 1994). Bygrave (1989) claims that the application of induction in inquiry may be more useful than deductive reasoning and he recommends the emphasis on empirical observations with exploratory, or grounded, research rather than the testing of hypotheses. Furthermore, Churchill and Lewis (1986) caution that without theories grounded in empirical observations, the deductive approaches to understand small business will restrict the generation of knowledge about their process, activities and outcomes.

Shaw (1999) agrees that the nature of small business research involves the study of human action and behaviour and is concerned with the nature of reality in the social world. The human in the social world possesses the ability to think for him/herself, comprehend their own behaviour and have opinions about the social world of which they are part (Bryman 1988; Gill and Johnson 1991). To study social phenomena, a researcher needs to adopt an approach that allows them to get closer to participants and interpret their subjective understanding of reality. Furthermore, the social world

must be observed in totality, and cannot be reduced to isolated variables, such as space and mass (Shaw 1999). Table 5.2 presents the research strategy selected for a range of the previous small firm network research. It clearly illustrate that the research that tested the hypotheses like Eber and Jarillo (1997/1998), Gynwali and Madhavan (2001); and Premaratne (2001), opted for the quantitative strategy.

Table 5.2: Research strategies in the selected previous small firm network research

Researcher	Key Issues	Theory	Strategy
Ebers and Jarillo	Network structure	Network approach	Quantitative
Gynwali and Madhavan	Networks as loci of firms' resources	Theoretical model	Quantitative Hypotheses testing
Human and Provan	The outcomes from network participation	Theory built from examination of network	Qualitative Case study In-depth interview
Johannison and Monsted	Characteristics and functions of personal networking	Network approach	Qualitative Interview
Premaratne	Relationship resources and performance	Network model	Quantitative Hypotheses testing
Shaw	Impact of social network	Network approach	Qualitative In-depth interview
Tinsley and Lynch	Contribution of networking to destination development	Network approach	Qualitative In-depth interview

Source: Ebers and Jarillo (1997/1998), Gynwali and Madhavan (2001), Human and Provan (1997), Johannison and Monsted (1997), Premaratne (2001), Shaw (1997) and Tinsley and Lynch (2001)

In contrast, the research that attempts to build a theory from examining rich data from the field adopted the qualitative strategy. The examples of qualitative research from Table 5.2 are Human and Provan (1997), Johannison and Monsted (1997), Shaw (1997) and Tinsley and Lynch (2001). Other examples of qualitative research in small firm networks are: Hill and McGowan (1999), researching the marketing networks of small firm entrepreneurs in Northern Ireland; and O' Donnell and Cummins (1999) researching networking in SMEs in Northern Ireland.

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From the analysis of the foregoing literature, it is clearly shown that a qualitative method of data collection and analysis is considered to be the appropriate method of research into small businesses. The qualitative method permits a researcher to get close to participants, penetrate their realities and interpret their perception (Shaw 1999). The nature of small business in general and the implications that this has for a network research approach has been considered above. Specific to the research topic into networks in small business in the hospitality sector, the qualitative is considered to be the most appropriate approach. O'Donnell and Cummins (1999) conclude that the researcher's study into small firm networks should: allow the phenomenon to be examined within its social context; allow the phenomenon to be examined in its totality; allow the researcher to get close to participants; be sensitive to the holistic nature of phenomenon; and be carried out longitudinally.

5.4 Research Design

Table 5.3 highlights the features of research designs in relation with the research strategies.

Table 5.3: Research strategy and research design

Research design	Research Strategy	
	Quantitative	Qualitative
Experimental	<i>Typical form.</i> Most researchers using an experimental design employ quantitative comparison between experimental and control groups with regard to the dependent variable.	<i>No typical form.</i> However, Bryman (1988) notes a study in which qualitative data on schoolchildren were collected in a quasi-experimental research design
Cross-sectional	<i>Typical form.</i> Social survey research or structured observation on a sample at a single point in time. Content analysis on a sample of documents	<i>Typical form.</i> Qualitative interviews or focus groups at a single point in time. Qualitative content analysis of a set of documents relating to a single period.
Longitudinal	<i>Typical form.</i> Social survey research on a sample on more than one occasion, as in panel and cohort studies. Content analysis of documents relating to different time periods.	<i>Typical form.</i> Ethnographic research over a long period, qualitative interviewing on more than one occasion, or qualitative content analysis of documents relating to different time periods. Such research warrants being dubbed longitudinal when there is concern to map change.
<u>Case study</u>	Typical form. Social survey research on a single case with a view to revealing important features about its nature.	<i>Typical form.</i> The intensive study by ethnography or <u>qualitative interviewing</u> of a single case, which may be an organisation, life, family, or community.
Comparative	<i>Typical form.</i> Social survey research in which there is a direct comparison between two or more cases, as in cross-cultural research.	Typical form. Ethnographic or qualitative interview research on two or more cases.

Source: Adopted from Bryman, A. (2001: 55)

①
The experimental research design is set to establish the differences between the experimental groups and the control groups with regard to the dependent variables (Bryman 2001; Hammersley and Gomm 2000). According to Bryman (2001), a qualitative researcher usually employs a quasi-experiment, which has certain characteristics of experimental design, especially in evaluation research. The aim of evaluation research is to test the effectiveness of specific solutions (Patton 2002).

②
Cross-sectional design, also referred to as a social survey, entails data collection using more than one case and at a single point in time (Bryman 2001). This research design aims to examine associations and relationships between cases or variables. In quantitative research, data will be collected by questionnaire, whereas in qualitative research it will be by structured and qualitative interviews and analysed using content analysis. Information gathered and analysed in this research design is

concerned with a small number of features of each case (Hammersley and Gomm 2000:4). ③
The longitudinal design is social survey research on a sample on more than one occasion or over a long period of time. ④
Case study design is an intensive study

to 'reveal important features of a case, which may be an organisation, life or community' (Bryman 2001:55). Information gathered and analysed in a case study is about a large number of features of each case (Hammersley and Gomm 2000). The case study design also could be employed to research more than one case or a combination of cases (Patton 2002). The final design shown in Table 5.3 is the

⑤
comparative design, which illustrates a direct comparison between two or more cases.

From the above discussion, qualitative interviews (cross-sectional) and case study designs appear to be suited to this research. Before the decision was made, the qualitative interviews and case study were compared and contrasted (Table 5.4).

Table 5.4: A schematic comparison of qualitative interviews with case study research design

Characteristics	Qualitative interviews	Case study
Main objective	To obtain rich and detailed information	Mainly theory building/conforming
Level of prior theory requirement	Low	Medium to high
Process	Flexible – unstructured to structured	Structured and standard procedures
Content	Unstructured to structured	Somewhat structured
Strengths	Replication	Replication
Weaknesses	Results may be biased and are not for theory testing	Requirement of sufficient prior theory

Source: Adapted from Rao and Perry (2003:238), Riege (2003)

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According to Riege (2003), there are four distinguishing factors when comparing the case study and qualitative interview designs. First, the main objective of in-depth interviews is concentrate on obtaining rich and detail information where as the case study research is the development and development of theory. Second, case study requires a medium to high level of prior theory but the not a case for in-depth interviews. Third, the process of case study usually is structured and follows standard procedures, whilst qualitative interviews is flexible that is can be unstructured or structured. Fourth, the main strength of case study similar to qualitative interviews is

their replication. In addition, Rao and Perry (2003) found the weakness of case study is the requirement of sufficient prior theory of the subject researched, and research results may be biased is a drawback of qualitative interviews.

From the comparison in Table 5.4, the qualitative interview is considered to be suited for this research. It is chosen because of the nature of this research, which is not for theory building, but aiming to understand a phenomenon of networking within the researched communities by qualitative interviewing.

5.4.1 Qualitative Interviews

Interviewing is a conversation with a purpose that is to gather information (Berg 2004). According to Sarantakos (1993), there are three major categories of interview structures can be identified that are structured, unstructured and semi-structured interviews. The structured interview uses a formally structured schedule of interview questions. The interview is based on a strict rule and procedure, which allows no adjustments in content, wording or order of questions. This form of interview is normally found in quantitative research. No predetermined questions and strict procedures to follow in unstructured interviews, the interviewer act in without restrictions of wording of the questions, order of questions or interview schedule. Qualitative researchers mainly employ this form. The semi-structured interviews located between structured and unstructured interviews. They contain both elements but the structure is depend on the purposed of research. This type of interviews may consist of a number of predetermined questions, open-ended question and special topics (Berg 2004). This form of interviews can be used in both qualitative and

quantitative research strategies (Sarantakos 1993). This research will employ the semi-structured interviews because this form allows somewhat degree of flexibility in process of inquiry. The nature of research subject requires some prompt responses as well as some freedom to the interviewees to voice out their views and opinions.

5.5 Ethical Consideration

Researchers that delve into the social lives of other people have an ethic obligation to their study population, their colleagues and larger society (Berg 2004). The issues concern about research ethics such as issues of harm, consent, privacy, and the confidentiality of data (Babbie 1998, Punch 1994). In addition, Sarantakos (1993:23) highlighted issues related to ethical standards in the research includes 'accuracy in data gathering and data processing', 'relevant research methodology', 'appropriate interpretation of data', 'accurate reporting', 'fabrication of data', and 'falsification of data'. Therefore, in order to perform and conduct an ethical research, researcher should: plan, collect and process data by an accepted systematic and objective procedure; choose appropriate methods and techniques as required by research objectives and not for other reasons; interpret data in full according to methodological standards; report research findings accurately and in unbiased manner; publish findings based on data collected; and restrain from falsifying data (Berg, 2004, Sarantakos 1993).

Ethical consideration in qualitative research mostly concern around the interviewee consent in participating as research subject, researcher- subjects relationship and confidentiality of subject identity. Participation in the research is voluntary and it is

an individual choice, and not being pressured to do so. Therefore, researchers should obtain informed consent from potential subjects before participating in the research. A formal consent can be obtained by asking the subjects to sign informed consent slips that contain a written statement that shows their participation is knowingly and voluntarily (Berg 2004). As for the case of interviews, the consent slips can be replaced by explaining the nature of research and choice to participate to the subject at the beginning of each interview. In maintaining an ethical relationship with research subjects, codes of ethics suggest that researchers should: identify themselves to the subjects and avoid giving false impressions of the researchers; respect subjects' privacy when entering their private life or property and also when asking questions; and be concerned with the welfare of the subjects and avoid questions that may cause discomfort to them (Sarantakos 1993). The researchers in most of qualitative research know subjects, so it is important to provide subjects with a high degree of confidentiality. This can be ensured by systematically changing the subject's identity to pseudonym or case number in the report (Babbie 1998, Berg 2004).

5.6 Sampling Considerations

Qualitative research typically focuses on a relatively small sample, even a single case, while the quantitative method focuses on a larger sample (Patton 2002). In selecting a large sample, quantitative researchers use probability sampling. In a probability sample, cases are chosen from the population at random using the statistical probability method. This sampling method is appropriate to hypotheses testing research (Ritchie *et al.* 2003). The strength of probability sampling is that the

representativeness of the sample provides confident generalisations from the sample to a wider population (Patton 2002; Ritchie *et al.* 2003).

On the other hand, qualitative inquiry uses non-probability samples, which are to be purposeful rather than random (Miles and Huberman 1994; Patton 2002; Ritchie *et al.* 2003). In this sampling method, cases are chosen based on the characteristics of the subject or with the purpose of relating to issues, which the researcher wishes to study (Ritchie *et al.* 2003). In contrast to the strength of probability sampling, the power of purposeful sampling lies in the selection of cases which are rich in information about the central issues of the study (Patton 2002; Shaw 1997).

Based on the qualitative research strategy employed to study the social networking of small chalet owner-managers, it is considered to be appropriate to apply purposive sampling. Purposeful sampling is helpful in selecting the cases for qualitative interview research, which focuses on the in-depth understanding of a small number of cases (Shaw 1997). For example, Shaw (1997) uses purposive sampling for her study to develop an understanding and knowledge of small graphic agencies' social networks. There are several information-rich sampling strategies that serve this particular purpose (see Appendix 5). Table 5.5 summarises the selected purposeful sampling strategies and their purposes.

Table 5.5: Selected purposeful sampling and their purpose

Type	Purpose
1. Critical case sampling	Permits logical generalization and maximum application of information to other cases because if it's true of this one case, it's likely to be true of all other cases
2. Snowball or chain sampling	Identify cases of interest from sampling people who know people who know which cases are information rich, who are good examples for study, good interview participants
3. Criterion sampling	Picking all cases that meet some criterion, for example, all children abused in a treatment facility. Quality insurance
4. Convenience sampling	Do what's easy to save time, money, and effort. Poorest rationale; lowest credibility. Yields information-poor cases

Source: Adapted from Patton (2002:243)

After comparing Patton's descriptions and the purposes of each type of purposeful sampling (Table 5.5) with the nature of this study, it was decided that a combination of criterion and snowball sampling would be helpful in the case selection. The decision to use criterion is based on two reasons. Firstly, it is because pre-determined criteria are set to guide the researcher in making decisions about the cases to be included in the case study. Only the cases that met the criteria should be selected. Secondly, the purpose of this sampling technique enhances the quality

assurance of the sample selected, which is an important concern of multiple-cases case study research.

According to Curran and Blackburn (2001) studies of small business research often employ theoretical sampling strategies. They suggest that the respondents could be selected to fit the rationale underlying the research framework; for example, selecting firms that operate for a specific length of time, within a same or similar locality of business, in a particular sector, or market, or it may be the owner-managers' gender issues. However, they point out that how the sample was recruited might not matter that much provided the main criteria of the selection were met.

Curran and Blackburn's theoretical sampling strategy suggests that a sample should be selected based on meeting a set of pre-determined criteria that fit the purpose of the study, which is similar to the criterion sampling strategy (Bryman 2001; Glaser and Strauss 1967).

Snowball sampling was added to criteria sampling for the reason of getting access to the small chalet owner-managers in the research areas. It was considered appropriate to use it as means to get close to the participants. With this technique, a key informant or a participant interviewed may recommend the prospective participant or participants that he or she knows to be considered significant for interviews (Thompson 2001). The recommendation then becomes a reference when meeting the recommended participant. Thus, as an advantage, the recommended participants are very likely to participate in the research because they feel it is important and an honour.

The selected cases should satisfy the criteria below:

1. Operates within the selected case areas which are: Besut and Pulau Perhentian, Terengganu; Kampung Cherating, Kuantan Pahang; Pulau Tioman, Pahang; and Mersing, Johor;
2. Has chalets units and is located at the coastal area;
3. Has a maximum of 25 units of chalets;
4. Owned by individuals (individual or a family of a group of individuals) and is not a part or a subsidiary of another hospitality corporation; and
5. Managed in a personalised manner by the owner or manager and not under a formal management arrangement.

Figure 5.2 illustrates the locations of the cases selected for this research. All cases are located on the east coast and islands of Peninsular Malaysia. The top circle is Besut and Pulau Perhentian in Terengganu, Kampung Cherating and Pahang are in the centre circle, while the bottom circle locates Mersing in Johor and Pulau Tioman of Pahang.

Figure 5.2: Geographical locations of selected cases



In this research, the respondents are the owner-manager or manager of small chalets on the east coast and islands in Peninsular Malaysia, as shown in Figure 5.2 above.

The managers are included in the sample because usually they are owners' family

members. Since the chalet business is a family business, a family member somehow has some responsibility and was given some job to do. Furthermore, a family member that named as a manager is responsible for the business operation with a close supervision from the owner, while the owner is managing other family's business. Therefore, it is considered appropriate to include the chalet managers as respondents in this research. However, only managers who are family members of the chalet owners will be selected. The geographical areas selected for this study were decided based on six factors. Firstly, it was based of the distribution of small hotels in Malaysia. More than three-quarters (75.9 per cent) of hotels in states on the east coast of Peninsular Malaysia are small, which means having less than 50 rooms. The east coast states are Johor, Kelantan, Pahang and Terengganu (Figure 5.2). Table 5.6 shows the distribution of hotels in Malaysia.

Table 5.6: Distribution of hotels in Malaysia

State	No. of Hotels	Small (Rooms)		Chalets (Rooms)	
		<50	<25	<50	<25
		Johor	185	128	75
Kedah	98	42	23	21	23
Kelantan	62	49	31	1	
Kuala Lumpur	175				
Labuan	20				
Melaka	85	53	33	6	3
Negeri Sembilan	48				
Pahang	221	169	118	44	23
Penang	100	48	35		
Perak	151	108	80	29	21
Perlis	5	4	2		
Sabah	151				
Sarawak	239				
Selangor	81	37	25	6	4
Terengganu	139	115	75	61	37
Total	1760			199	120

Source: Adapted from Malaysiamydestination.com

The second factor is that small hotel accommodation can be found in the popular destinations in the east. Popular destinations are sandy beaches along the coastlines and islands. Major beach destinations are Cahaya Bulan Beach in Kelantan, Rantau Abang and Batu Buruk in Terengganu, Teluk Cempedak and Cherating in Pahang, and Desaru in Johor. Popular island destinations are Pulau Tioman in Pahang, and the coastal islands of Johor, Pulau Perhentian, Pulau Kapas and Pulau Redang in Terengganu. Of these beach resorts, small beach hotels are only found in Cherating, Pahang, while the other resorts are on a large scale. Almost all of the islands mentioned above offer small hotel accommodation, except Pulau Redang in Terengganu. Thirdly, the small hotels located at the previously stated destinations

are mainly beach chalets. There are nearly 200 (see Table 5.6) small chalets reported in Malaysia and more than two-thirds of the chalets are found in the study areas.

Fourthly, the accessibility to cases is an important factor that should be considered in conducting empirical research. Destinations along the coastlines are serviced by public transport. The bus service to the destinations is at least once an hour in the day from the nearest major town. Scheduled boat services are available to Pulau Tioman and Pulau Perhentian seasonally, from the month of April to September. Travelling in other months is difficult due to bad weather and strong sea currents, which are affected by the monsoon. Other islands can be reached only by means of chartered boat. Therefore, Pulau Tioman and Pulau Perhentian are selected for this study.

Fifthly, the management of the empirical qualitative research limits the geographic area study. The empirical research is carried out solely by the researcher himself. Managing too many cases in too large a geographic area with one researcher may be problematic. Clearly, it is preferable to select the optimum number of cases and the locations which are manageable. Furthermore, travelling to several locations is costly. The empirical research was self-funded and this limited the scope of travelling activities. Finally, the development and life cycle of the beach chalet accommodation guided the selection of the study areas. Beach chalet development started at Cherating and Pulau Tioman, followed by Pulau Perhentian and Besut, and now new areas are being developed in Mersing and the coastal islands of Johor.

5.7 Unit of Analysis

The small chalet owner-manager was selected as a unit of analysis for this research.

The unit of analysis refers to the specific unit of subject being studied. The unit of analysis can be an individual person, a community or society, an organisation or a programme that is being investigated. According to Patton (2002:229), 'the key issue in selecting and making decisions about the appropriate unit of analysis is to decide what it is you want to be able to say something about at the end of the study'. Therefore, selecting the unit of analysis is an important guide and focus for the determination of the data collecting procedure, and the data analysis.

5.8 Data Collection

It has been established in Section 5.4.1 that the qualitative interviews approach attempts to collect rich data from a few cases. Qualitative inquiry requires the researcher getting close enough to the people and circumstances to capture what is happening (Patton 2002; Walsh 2003). This means that qualitative researchers should enter the natural environment of people in which they are interested to investigate and understand their particular social phenomena (Shaw 1997).

Moreover, this method is a pathway for researchers to actually hear, view and experience reality as the people do themselves (Walsh 2003). Therefore, to obtain reasonably rich data, it was decided to use interviews as data collecting instruments.

An interview is considered to be appropriate and is also the most common fieldwork strategy in small business research (Curran and Blackburn 2001; Tinsley and Lynch 2001). The type of interviewing technique used for this researched was the individual face-to-face interview. However, some interviews were also participated

in by the respondent's spouse and joined in by other family members on some occasions. The interviews took place within the respondents' natural environment, at their premises and preferred times.

Semi-structured and open structured interview formats were used. The semi-structured format made for easier and quicker responses to straight-forward and short answer questions (Fallon and Kriwoken 2003; Tinsley and Lynch 2001). This format was used to collect respondents' demography data and the social network features. Open structured questions allow free responses to improve data richness, which provides space for participants to articulate their views at length on networking related incidents (Fallon and Kriwoken 2003; Pavlovich 2003; Tinsley and Lynch 2001). Appendix 5 is a copy of the interview questions and the translation is in Appendix 6. In managing the interview effectively, the researcher prepared a case protocol as an interview guide prior to beginning the fieldwork in order to guide the conversation (Arthur and Nazroo 2003; Rowley and Purcell 2001; Walsh 2003; Yin 1994). The protocol serves as a guide to standardise the data collection to some degree in order to ensure that the investigation of every case is carried out in a similar manner (Arthur and Nazroo 2003:115; Rowley and Purcell 2001; Walsh 2003). The protocol should be established before setting out to collect data (Arthur and Nazroo 2003; Walsh 2003). The case protocol content and procedure are outlined in Appendix 7.

In order to hear and view the reality of respondent interactions within their natural environment, a researcher should immerse him/her self in the setting (Hill and

McGowan 1999; Walsh 2003). Therefore, the researcher should consider him/her self to be a part of the research instruments to compliment the interview questions in the data collection process. The role of the researcher will be discussed in Section 5.8.1.

5.8.1 Role of the Researcher

Having considered him/her self to be one of the instruments for data collection, the researcher should have decided about the role he/she will take prior to entry into the field (Patton 2002). The epistemology of the qualitative research claims that 'people are affected by the process of being studied and that the relationship between the researcher and social phenomena is interactive' (Snape and Spencer 2003:13). This position recognises that a researcher and the researched participant is not value free (see section 5.1). This means that the implications of the research are based on the interaction between the researcher and the participants (Di Domenico and Morrison 2003; Fink 2000).

The researcher has a role as a facilitator during the interviews. The role enables the interviewee to 'talk about their thoughts, views and experiences' (Legard *et al.* 2003:147). The facilitator also manages the interview process to ensure the data collection procedure is followed and the required researched issues are covered. To be an effective facilitator, a researcher must be skilled in communication, and have a role as a communicator. According to Tharp (1971:237) a researcher should 'determine the most effective way to communicate' with the participants and provide 'aid to clarify what information is desired' from them. To enhance effective

communication, he added that the data collection instrument must allow two-way communication between the researcher and participant. Furthermore, a researcher should 'adjust his language and vocabulary to the education level, interests, and needs' of the participants (Tharp 1971:238). Thus, a researcher should become familiar with the society and the environment of the researched geographic areas.

To ensure the roles of the researcher were fulfilled, it was decided that the researcher him/her self should carry out the data collection. The reason for the decision was that the researcher is a native speaker of the language spoken in the research areas. A familiarisation and adaptation process to the local environment was gone through during the field visits.

5.8.2 Pilot Study

Empirical data were collected during a three months period of field visits to the selected case areas as mentioned in Section 5.5. The case areas were visited in two phases. The first stage, between 27 January and 31 January 2003 was the pilot study. It was followed by the actual data collection exercise in the second stage from 24 February to 31 March 2003 (see Appendix 8). During the pilot study, four chalet owner- managers and a tourism planner were interviewed. The tourism planner, who is an experienced researcher, helped in getting access to the case areas. Through his contacts and personal relationship with a chalet owner, the pilot case started in Mersing, Johor. With this recommendation and the effect of the snow balling technique from the first chalet owner-manager, the research managed to interact with three more cases within the area. He also recommended three native 'pioneers' in

another three study areas. The pioneer is refers to the owner-manager considered among the first people who started the chalet accommodation firms. The feedback from the pilot study was used to improve the interview questions to be used in the actual fieldwork. The pilot study helps a researcher to 'refine the data collection instruments and plans' (Yin 1994:74). Some adjustments were made to the interview questions based on the views and reactions of the respondents. The major adjustments made were the terminology and the style of question asked. The terminology used should be familiar to the respondents and the style of asking questions should be suited to the way of life of the researched community (Arthur and Nazaroo 2003: Tharp 1971).

The researcher also gained some advice about the approach from the respondents in the pilot study. Firstly, it was advised not to make an interview appointment too soon in advance. This is because the small business operators do everything by themselves, so their work schedule is very flexible and subject to change at anytime. It is very difficult for them to keep appointments. Secondly, the researcher should convince the owner-manager, that he is not from the income tax department or other authority that may be checking on their business operations. It is believed that some small businesses operate without proper licensing. Thirdly, the researcher should avoid referring to political issues. The political stance is a sensitive issue in the east coast of Peninsular Malaysia. This is because the opposition party represents many state and federal constituencies in this part of the country. Fourthly, building the trust between the respondent and the researcher is important (Walsh 2003). Small business owner-managers will articulate their true views and opinion only when they

have confidence and trust that the outsider will not betray them. Finally, keep the interview session short.

5.8.3 Actual Fieldwork

The actual fieldwork began on the second visit to the case areas Pulau Tioman and Cherating in Pahang, and Marang and Pulau Perhentian in Terengganu. Fourteen small chalet owner-managers were interviewed in Pulau Tioman, eight in Cherating, three in Marang and twelve in Pulau Perhentian. Owner-managers in Mersing (the pilot case area) were excluded from the actual fieldwork. The reason for this was that the researcher believed that the pilot study process contaminated the pool of prospective respondents.

The interviews were conducted in *Bahasa Melayu* (Malay language), which is the respondents' daily used language. It was easier to employ the native language rather than the English language since the researcher is also a native speaker. The use of the most comfortable language by researcher and the participants allows for the smooth flow of the interview. Furthermore, it reduced the possibility of the misunderstanding of important meanings (Arthur and Nazaroo 2003; Getz and Nilsson 2003; Walsh 2003). The interviews were recorded using a 'dictaphone' or tape recorder. This was used because it provides a 'more accurate version of the interview than any other method; however it should not be used without the interviewee's permission' (Yin 1994:86). In this case, field notes were used on one occasion when an interviewee refused permission for a tape recording.

5.9 Data Management

Data are gathered from the field in many forms: field notes, audiotapes and written documents. The huge amount of rich qualitative data collected should be sorted out and transformed into an analysable form (Hill and Gowan 1999). The goals of qualitative data management are to summarise the jumbled data into related themes and patterns, and to develop explanations or theses for these relationships (Walsh 2003).

However, the quantifiable data from structured interview questions were transferred directly into the analysis sheet. The quantitative data were input for analysis using the statistical package SPSS Version 10 (Fallon and Kwiwoken 2003). The analyses performed were generally descriptive and statistical; that is measuring of frequencies and percentages, and cross tabulations (Fallon and Kwiwoken 2003; Martinez *et al.* 2003). Cross tabulations analysis shows direct relationships within selected cases. Descriptive statistics and cross tabulations are the analysis mostly used in hospitality research (Crawfor-Welch and McClearly 1992). Furthermore, as the purpose of this study is not to test hypotheses, advanced statistical tests are not required (Martinez *et al.* 2003).

5.9.1 Transcription of Raw Data

Basic and raw data from the field notes and dictated tapes must be processed before they are available for analysis. Field notes are required to be converted into transcripts, so they can be read and the researcher 'might augment some missing content when it is remembered from the field' (Miles and Huberman 1994:51).

Interview data from the audiotapes can be transcribed verbatim or in other ways,

such as making notes, selecting excerpts, or making judgements derived from the conversation (Fallon and Kriwoken 2003; Miles and Huberman 1984). These processes of transforming the qualitative data were time consuming (Curran and Blackburn 2001; Walsh 2003). The transcribing of the interviews was done to ensure that it was as accurate as possible; however it was not done verbatim since the explanation or repetition of the interview questions were not repeated in the transcription. To ensure the accuracy of data transformation, the processing of the data into an analysable form was done by the researcher him/her self (Patton 2002). The transcribed data were analysed by the process of coding, finding patterns and themes (Curran and Blackburn 2001; Fallon and Kriwoken 2003; Hill and McGowan 1999; Walsh 2003; Patton 2002). This will be discussed in more depth in sub-section 5.9.2 and 5.9.3, respectively. The transcript was given a label as 'Interview Number' between numbers 5 and 44 to indicate the source of the interview (Appendix 12). The names of owner-managers were also replaced with nicknames in order to maintain the confidentiality of the owner-managers' identities.

5.9.2 Coding

To manage the large amounts of rich data, data needed to be coded to link it to meanings and categories (Tesch 1990; Walsh 2003). Codes are labels or abbreviations of labels for assigning units of meaning to the description of information gathered from the study (Miles and Huberman 1994; Tesch 1990; Patton 2002). Miles and Huberman (1994) introduce three types of codes, which are descriptive, interpretive and explanatory. The descriptive code is simply an attribution of a class of phenomena attached to the segment while the next one is

more interpretive to represent greater meaning. The explanatory codes illustrate an emergence of patterns and the relation of the text segments to the research. The codes are attached to the segment of phrases or sentences that are connected to the specific category of meanings. Currently, there are qualitative software packages available to help code data, but it can also be completed manually (Walsh 2003). In this research, the researcher did identify the codes manually, by reading through the interview transcriptions. It was decided to do it manually because the interview transcripts were in *Bahasa Melayu* and a qualitative software package was not available in this version of the language. The process went through a number of versions as did the code, some of which were dropped, added and merged into accepted categories. The evolution of the coding system is shown in Appendices 9 and 10.

5.9.3 Key themes

The coded data maintains a rich form in short and sometimes long phrases. The content of the phrases was analysed to determine its significance (Patton 2002). The content analysis was performed to observe the counts of the meanings of the significant data being mentioned. The most common meanings were grouped into categories. The categories were used to create themes (Walsh 2003). The key themes emerged, and the important phrases that related and supporting the themes were translated from *Bahasa Melayu* into English Language. In order to ensure the accuracy, the translation was inspected by a fellow native speaker, who is also a Ph. D research within the same department with the researcher him self. See Appendix

11 for the key themes that emerged from the data. Similar to the coding process, creating themes were also reviewed and merged to obtain sound main themes.

5.10 Evaluation of the method

Two of the case selection criteria (Section 5.6) were modified during the fieldwork. The case area of Mersing was dropped from the sample because of it was used for the pilot study, and the firm with 25 chalet units as the maximum was lifted to allow larger number of firms to be included in the sample. However, the changes did not impact the objectives and the focus of the research. The snowball sampling technique (Section 5.6) was considered appropriate to approach the chalet owner-managers, however walk-in interview was also used in some occasions. In this walk-in interview, owner-manager was personally approach and invited to participate in this research. As a result, the number of interviews was seen increased.

5.11 Summary

The aim of this chapter was to explain the research philosophy, strategy, design and methodology used in this research activity. It is considered that the qualitative inquiry strategy and case study method provide some flexibility in the research approach. The in-depth interviews enhance rich data flow freely from the respondents within their natural environments. The combination of semi-structured and open interview techniques provides a variety in the data gathered. Systematic data collection, management and analysis procedures were discussed. The data collected from the cases is presented in the chapter that follows.

Chapter 6

Research Findings

6.1 Introduction

This chapter presents the data findings from the interviews. The background information of chalet owner-managers and the chalet firms are presented in Section 6.2. The start-up motives of the small chalet business are reported in Section 6.3. Section 6.4 identifies the problems faced by the owner-managers in the early years of their business. Section 6.5 discloses the ways owner-managers solved the problems faced. Section 6.6 displays the type of networks of owner-managers had. The owner-manager's view on networking is illustrated in Section 6.7. The networking activities of the owner-managers are examined in Section 6.8. Section 6.9 explains the network maintenance activities carried out by the owner-managers. The problems anticipated with the network are reported in Section 6.10. The presentation data findings end the discussion of critical incidents relating to networking relationships in Section 6.11.

6.2 Background information regarding small chalet owner-managers and the chalet firms

Interviews with the small chalet owner-managers have been carried out at four locations in the east coast and on the islands in Malaysia (Section 5.6). The following subsections present the background information of the chalet owner-managers and the features of the chalet firms.

6.2.1 The chalet owner-managers

A total of thirty-seven participants interviewed, twenty-two of them were owner-managers and the remaining fifteen were chalet managers (Table 6.1, Appendix 13).

Most of the managers (ten) were family members; who's were spouse, sons or daughters, or sibling of the chalet owners. The managers that represent the owner-manager of the chalet firms will be referred as owner-managers throughout this thesis.

Thirty of the owner-managers interviewed were male and seven were female (Table 6.2 Appendix 13). Most of the chalet owner-managers (17) interviewed were between 30 and 40 years of age, thirteen were older at above 45 years of age and seven were still young at below 30 years of age (Table 6.2, Appendix 13). Family size of the owner-managers is considered moderately large, where seven out of ten owner-managers were married and every other owner-manager had three to five children. There were three owner-managers had bigger families more than five children, at the most eight. Only eight had small family size of up to two children and two were childless.

Owner-managers were in various background of occupation before venture in chalet accommodation business. They were fishermen or boatmen (5 owner-managers), farmer and self-employed (5), technical men such as draughtsman, boilermaker and technician (4), armed forces (3), carpenter and goldsmith (2), and builders (2). However, only three owner-managers had some experience related to chalet business as they worked in hotel and tours company prior setting up their own businesses (Table 6.2, Appendix 13). Eight owner-managers had worked in their family business before starting up on their

own and managing chalet firms. Four of them were working or helping at their family's chalets.

6.2.2 The chalet firms

Most of the owner-managers are still new to the business. Six out of ten owner-managers interviewed had started their business within the last ten years. One of the newcomers is Mr. Halim, who just started three months ago. His uncle and him bought over the chalets business from a previous owner who retired from the business but maintained the same of the chalet firm. However, there are a few owner-managers had already been operating for more than 16 years (see Table 6.2 Appendix 13). Among them are: Mr. Anuar, 63 years of age an owner-manager in Cherating had in this business for about 30 years, Mr. Manan (60 years old) started his chalet business in Pulau Tioman in 1981. The history of chalet accommodation in the east coast of Peninsula Malaysia was dated back in the 1970's when Mak Long Tehh (real name) took tourists to her house on homestay concept and served them breakfast and dinner. Interview with Mak Long Tehh cannot be conducted because she is now 87 years of age having hearing and memory difficulties. However, her daughter Mdm Zaharah (real name) was willing to provide a brief history of the chalet accommodation in Cherating. According to Mdm Zaharah, the chalet type accommodation built in 1980. Chalet accommodation was an alternative to the camping type at the nearby Chendor beach for visitors to see turtle laying eggs. Cherating took a step forward by promoting local culture attractions such as traditional life of the locals and puppet shadow play. Other

chalet firms opened following Mak Long Tehh in 1980 were Mak De Guest House, Hussin Bungalow and Mini Motel. During the fieldwork, the researcher found that only Mini Motel is still in operation, the rest were no longer in business or inactive.

In average, one of every two owner-managers interviewed has between 11 and 25 units of chalets. Six owner-managers reported operating at small scale with 10 units or less (see Table 6.3, Appendix 13). However there were three chalet firms operating at larger scale, that are Cherating Beach Mini Motel (formerly Mini Motel), Cherating with 90 units, Salang Indah Resort, Pulau Tioman (63 units), and Riverside Holiday Beach Resort, Cherating (52 units). Workforce at the small chalet firms was relatively small, where one of every two of the firms interviewed had between 1 and 5 employees.

Larger chalets were reported had larger workforce with more than 10 employees (Table 6.3, Appendix 13). Mr. Kadir, an owner-manager in Pulau Tioman employed 16 employees, however that including those who were working at his sundry shop and three tourist boats. Most of the employees at the chalet firm were family members or relatives of the owner-managers. Nine out of ten chalet firms interviewed had at least one family member working with the firms, but mostly (six of ten) up to five family members (Table 3, Appendix 13). For Mr. Kadir, he had six family members including his wife working at the chalet firm.

6.3 How the chalet business was started

The owner-managers started their chalet businesses in a number ways. Many of them were in the family business (Section 6.2.1), started by the parents then passed on to the children, or initiated by the parent then run by the family members. Another major factor was the market potential they saw which they then turned into a business opportunity. An interesting factor was just the wish to be nice to visitors and offer them a place for shelter and rest.

Some of the owner managers interviewed did not even have any interest in running a business; however they were there to assist families when asked for help. This happened especially to the child who has not secured a steady job, and who then had to stay with the family and help the parents to run the family business. Mr. Salim, a young manager of a small chalet in Pulau Perhentian disclosed:

My father and my brother were the ones who really wanted to open the chalet. Since all of my elder brothers have steady jobs, I am the one who has to help to take care of the business..... (Interview 34)

The above quotation describes the situation where an individual was considered unlucky to not have another steady occupation and was therefore stuck with the family business. Still Mr. Salim has not recognised himself as businessman or not even as having a job in a family business. However, he had to continue to take care of family

chalet firm as well as hoping to get a good job somewhere in the city in future. The situation sometimes carries on for quite a long period, as Madam Rose, a manageress in Cherating said:

This is a family business and the land belongs to my father. When this chalet was opened for business, my brother managed it for 3 months. When he fled, my father called me for help. It has been 11 years... (Interview 28)

According to Madam Rose, she was now taking the full responsibilities to manage the operation of the firm including the payback of loan to bank. Furthermore, she considered herself as the owner of the firm because for the past five years she made all decision by herself without a need to consult her father.

In other case, the influence of family members may trigger an interest in a person to try to run his/her own business. The interest may emerge naturally or by force, and then he or she has to prove the capability of doing something as well. On one occasion, Mr. Omar, a retired member of the navy started to run a chalet business in Pulau Tioman after having seen his wife running a small-scale food stall for many years disclosed:

To be frank, I had no interest in running a business. But my wife has been doing a small catering business for a while. She then slowly taught me how to start a business. (Interview 14)

After the retirement Mr. Omar and his family came back to Pulau Tioman. With permission given by his mother in-law, they turned undeveloped family owned land to a small-scale resort. He is now the co-owner of the chalets with his wife and his in-laws and operates on the in-laws land, while his wife manages a small restaurant within the premises. It is normal that some parents want the family to stay close by and do things together. It is hoped that will make the family ties strong and intact. Therefore, a family member has to forego his life elsewhere and return home for the family. An owner-manager in Pulau Perhentian, Mr. Bahar expressed that he had sacrificed his job in other town and moved back home to start a new business with his family. He did not regret it and the new business is all right as he stated:

It was just a coincidence. I was a craftsman at a jeweller in Kota Bharu. One day in a family gathering, we decided to open a chalet business on this inherited land. Then, all family members elsewhere returned to Pulau Perhentian. We survive, our family survived.
(Interview 42)

It seemed that family survival is the most important thing to Mr. Bahar and his whole family that including his parents and his siblings' families.

To some owner-managers, observing the events happening before them creates a business opportunity. The increasing numbers of tourists coming to the village indicates business potential in providing accommodation. Mr. Manan, a senior owner-manager in Salang Village, Pulau Tioman, took this opportunity by started offering the accommodation and food to tourists about 20 years ago. He recounted the memories of the beginning of his chalet business history as:

At that time, there was no chalet in Pulau Tioman but only Berjaya Hotel (then Merlin Inn). You know, there were many types of foreign tourists. Some prefer budget holidays. At the end of the 1970s I took the foreign tourists to my house. They slept in the living room. I charged RM5 to RM7 per day for a place to stay and food. (Interview 20)

A former energy provider company technician, Mr. Kadir, shared a similar opinion with Mr. Bahar on the business potential in providing accommodation. He was transferred back to take charge of a power sub-station in his own village, Salang Village, Pulau Tioman. As the sub-station was located near the jetty, observing the arrival of foreign tourists by boat became his daily routine. Many times he was approached by foreigners

asking for information on accommodation and points of interests within the village. At that time, there were only four chalet firms operating in Salang Village, and many occasions they were out of rooms to cater for the room demand. It took him four years to realise the business potential in tourism as he stated:

I live here, and my house was on my mother's land. I did not have any business knowledge and not even an interest in doing business then. On my way to work everyday I saw the increasing number of foreign tourists come to our village and sometimes outnumbered the available chalets. On many occasions they stopped at my house and asked for rooms. So, the potential was realised... (Interview 18)

He started to run the chalet business on a part-time basis while still in the job, but he is a full-timer now. From the chalet, he opened a restaurant and followed by a grocery store. Another chalet owner did not wait long to materialise his business opportunity. Mr. Rahman resigned as an army officer to start on it full-time and said:

We have land and there was opportunity. The potential seemed to be better than my present job. Other people that were involved in tourism businesses advanced and many outsiders wanted to buy and develop land here. So, I decided to quit my job and build chalets.
(Interview 38)

In the above statement he claimed that the chalet business has a future and attracts outsiders to venture in. Indeed, he could not afford to let the opportunity slip away and made the move right after his working contract ended. Other chalet owner-managers also agreed that the accommodation business promises a bright future; a brighter future as approved by a former fisherman, Mr. Nasir:

I want to raise my income level.... more than as a fisherman as I was.

(Interview 37)

It was understood that the motivation for him starting his own business was that he wanted to become his own boss. This might be caused by one's experience working for or with someone else or a company. The experience could be so bad that someone wanted to prove his or her capabilities for doing something else. It also could be a positive experience; an employee could be inspired by the power, position or earning of the former employer. Mr. Azman, a former hotel maintenance worker stated:

At that time I thought being my own boss was easy, so I resigned from my job at the hotel and tried to be a boss. Now I realised that I have to take care of everything, solve every problem on my own

(Interview 9)

After 18 years of taking care of the business on his own, he now can call himself as a boss. Mr. Azman hired his daughter to manage his 21 units of chalets, his nephew to run a restaurant and his relative for the organise activities at a dive shop. Apart from gaining experience working for someone, indirectly it installed interest in running his own show as claimed by Mr. Zaidi an owner-manager at Air Batang Village, Pulau Tioman, for example:

I have an interest in tourism since a long time ago, when I was working at the Panuba Inn, my brother's chalet. Then I took over this shop and chalet from my sister when she ran into problems. I made repairs and have been maintaining the chalet for three years....

(Interview 11)

Interestingly, the courtesy in offering shelter for the needy had turned into a business activity. A pioneer chalet provider offered his house for shelter to visitors, who were also the victims of Mother Nature. Mr. Nazir recounted how he came to introduce chalet accommodation in Pulau Tioman as:

Then there was nothing here. Singaporeans used to come here for picnicking by the seaside. One day, the Singaporean young men's tents were soaking caused by heavy rain and storm. I felt so sorry for them and invited them to take shelter at my house. From that

incident, I noticed someone might need a shelter from rain and sun
..... I started with a basic A-frame hut about 20 years ago....

(Interview 10)

Mr. Nazir has been recognised as the first person to built chalet type accommodation for visitors in Pulau Tioman. In the first year, his A-frame huts were mostly occupied by anglers from the main land during their fishing trips to Pulau Tioman, and then gradually made known to other visitors. Maintaining a lifestyle has been known to be a motivator elsewhere for a small business, especially in the accommodation sector, such as small hotels and bed and breakfasts. The same situation was found in this research, where some chalet owners run the chalet business to maintain their lifestyle. Mr. Atan, an owner-manager in explained:

I was a traveller and travel a lot. As you see Cherating is a nice place and many travellers come over here. As a traveller, I know what a traveller needs, likes and their budget. So I made something nice, affordable and cheap for them to enjoy..... (Interview 32)

According to Mr. Atan, he had been travelling around the world, and has been working and staying in the Europe for a number of years. Upon came back to Malaysia, he visited Cherating and then decided to live there.

Another owner of chalets in Tioman, built few units of family holiday chalets

at the first place but open for business few years later as told by his friend who managed the place:

Actually, my friend from Kuala Lumpur built this chalet for his own and his family's use whenever they come to Pulau Tioman and sometimes for his friends when they come for fishing trips. We only rent out the extra rooms.... (Interview 7)

Some of the owner-managers interviewed seemed to look forward by having planning for future particularly for the retirement plan. Normally, it started with choosing the right place to live and selecting the type lifestyle. For example, Mr. Ikram revealed about his father's plan:

My father purchased this land for his own use after retirement. He built a simple traditional Malay house on it. Since we are from Singapore, his friends stopped and stayed over at our place when they travelled up here. Friends of friends came over until we did not recognise who they were, and started to feel uncomfortable with strangers in the house. Then we started to build separated huts for the guests..... (Interview 24)

Similarly, a wealthy retired builder in Cherating, Datuk Mahad had almost the same story:

I purchased this land when I was still young to prepare for my old age after retirement. I left the land undeveloped for 20 years until I saw many foreign tourists come in to look for budget accommodation by the seaside. It was a good opportunity to meet new friends as well as old friends..... (Interview 27)

Mr. Ikram and Datuk Mahad both live there within the chalet firm's compound enjoying their chosen lifestyle at the places they liked according to the original plan. But peculiarly, an owner made it known that he had jumped into the chalet business because some units of ready built chalets had been transferred to him as part of a debt settlement. This happened many years ago when Mr. Borhan was contracted to build chalets for a small chalet proprietor in Cherating. He disclosed:

My friend opened this, the Riverside Chalets and at that time I was a small-scale chalet builder. He was unable to pay the contract for the sum of RM100,000 he owed me and transferred the chalets as a part of the debt settlement..... (Interview 31)

Since then he has purchased adjacent land and built more units of chalets using his experience and expertise. Recently he expanded his chalet business by building a new chalet with conference and meeting facilities at other location. From the above discussion, it is concluded chalet owner-managers at the research areas started their businesses because of many reason. The owner-managers business start-up motivations is summarised in Table 6.7.

Table 6.7: Business start-up motivation

How started: Themes (In order of importance)
Saw potential for business
Started from family business
Want to be own boss, to raise income, and have an interest in the tourism business
Maintain lifestyle
Offer shelter out of courtesy
Family matters
As a part of debt settlement

6.4 Problems faced by the owner managers in the early years of business

In the interviews, owner-managers were asked to recall the problems they faced in the early years of their business. According to them, the problems faced were varied from locality, time of business established and the origin of the owner-managers. Common problems faced by owner-managers in the islands were transportation and supplies of materials, while the pioneers faced the absence of basic infrastructure. As predicted, the locals did not welcome outsiders. However, owner-managers at all study areas commonly shared problems like limited funding and marketing. These problems are now discussed in the following paragraphs.

Owner-managers in the islands of Pulau Perhentian and Pulau Tioman faced difficulty in transporting tourists from the mainland to the islands in the early years of the business in the late 1980s. For example, one of the owner-managers, Miss Nora voiced about this problem:

Problem with the boat, transport from Mersing to Pulau Tioman. It is okay now, there are many passenger boats operating. But the tourist arrivals declined.... (Interview 5)

However, it was understood that since the last decade, there has been an increase in scheduled services for passenger boats operating from Mersing to Pulau Tioman. Since the location of Mersing and Pulau Tioman is in the east coast, the boat schedule

depends on the condition of the sea current. More frequent boat services are available during calmer conditions from the months of April to October. The passenger boat is only allowed to sail with permission of The Marine Department in rough sea conditions during the Monsoon season from November to March. A new gateway has opened recently to provide a boat service to Pulau Tioman at Tanjong Gemuk.

The passenger boats from Mersing and Tanjong Gemuk only provide services to the major villages on the west coast of Pulau Tioman. This was due to the reason that most of chalet accommodations firms were located in the villages on the west coast of Pulau Tioman, furthermore the west coast was more inhabited compared to the east coast. In this case, the owner-managers in Juara Village at the east coast still have a transportation problem. An owner-manager in Juara Village, Mr. Ramli mentioned the need for:

a boat to carry passengers and tourists from the mainland, and a direct service to Juara Village (Interview 16)

The researcher was told in this interview that many tourists walk from the west coast to Juara Village along a jungle track. The unpaved track climbs up and down the hills for about 7 kilometres. At a regular walking speed it takes between 2 to 3 hours one way. However, for those who have a prior arrangement, the owner-manager or their representative will pick-up the guest by a small boat. During the visit to the village in

March 2003, the building of a new jetty was completed and officially opened two weeks later. It was believed that the boat service would be extended to Juara Village soon after the jetty was opened.

Owner-managers at both island locations depend on supplies of raw materials from the mainland. That includes hardware materials for building chalets, restaurants, other related building and also the chalet housekeeping, maintenance supplies and food preparations. Surprisingly, even the islands' residents also get daily household perishable supplies like, fish, meat and vegetables sent from the mainland. It has been said that there are no local supplies, because almost every household is involved in tourism related activities. The farmers and fishermen are now converted chalet owners, restaurateurs, boatmen, or employed in other tourism related jobs. For example, according to Miss Murni in Pulau Tioman and Mr. Alang in Pulau Perhentian:

To have regular supplies of raw materials, perishable items.....

(Interview 19)

We have to get raw materials and other things from mainland, Kuala

Besut (Interview 33)

Kuala Besut, is a small coastal town in Terengganu state, which is the gateway to Pulau Perhentian. Tourists and residents of Pulau Perhentian take a scheduled boat ride at the passenger jetty. There is a choice of a slow boat, which takes 1 hour 30 minutes or the faster speedboat, which takes 45 minutes. The scheduled boat depends on the sea conditions in the same way as the Mersing to Pulau Tioman service.

The room demand is sometimes higher than the supply, especially during the high season, which runs from April to October. This situation was quite obvious at Cherating because of the coastal location. Therefore, easy access by road makes Cherating accessible from any part of the country and even less affected by the monsoon during the season. This therefore resulted in the claim that there is a shortage of room supplies as stated by Mr. Atan:

I only have 11 chalets. I could not meet the high demand for rooms..... (Interview 32)

To cater for the tight budget of tourists, many owner-managers built chalets with shared toilet and bathroom facilities. However, the types, needs and demands of tourists have changed from time to time. For example, Mr. Borhan described the new demands of guests to his chalets:

Not enough rooms on offer and most of the chalets available were without toilet and bathroom attached.... (Interview 31)

According to Mr. Borhan, visitors and tourists particularly domestic visitors from cities like Kuala Lumpur, Johor Bahru and Singapore now prefer comfort and want the chalets with toilets and bathrooms attached and even equipped with air-conditioning units; and of course they are willing to pay at a slightly higher rate.

It has been understood that marketing is one problematic issue for small firms.

However, most of the owner-managers in the study areas assumed that marketing effort is unnecessary, and only rely on 'word of mouth'; that is that the customers will spread the news about the chalet accommodation and recommend it to family, friends and relatives. They might return to the chalet and sometimes take along new guests with them on the next visits. And the research found that many small chalet owner-managers interviewed had no marketing activities but relied on the readers of the 'Lonely Planet' travel-guide book. This recalled the sentences many owner-managers spoke to the researcher within the first few minutes of the visit. One of the first few questions asked by the owner-managers was:

From where do you know about our chalet? (Field experience)

The researcher always replied that the chalet was listed in the accommodation list published by the state tourism office and on some occasions mentioned that it was recommended by other owner-managers whom they knew. Then it looked like they were not pleased with the researcher's reply and expressed their frustration:

We thought that you got our chalet's name and address from the 'Lonely Planet'. We are in the 'Lonely Planet' you know. They came here a few times to interview us. (Field experience)

However, some owner-managers found marketing and promoting chalets are difficult tasks. Mr Dollah, who took over an operation of chalet accommodation in Cherating from previous owner, admitted that:

It took me about 5 years to promote my chalets. It was difficult...

(Interview 30)

Actually, owner-managers found marketing of chalets was difficult because of their lack of marketing knowledge as expressed by Mr. Rahim in Pulau Perhentian:

The problems were with the promotion and competition with other chalets within this village. I don't know how to do the promotion....

(Interview 40)

Mr. Jamil, a young owner-manager in Pulau Perhentian also recognised that he was having a problem of doing marketing because he was new and had no experience in managing the chalets, as he revealed:

No experience. None, I did not know how to improve and promote my restaurant and chalets. After 3 years, I started travelling, observed and learnt from others..... (Interview 35)

According to Mr. Jamil, he took few weeks off every year to visit and observe other small accommodation firms in other communities like in Bali and Thailand. As stated in Section 6.2.1, the owner-managers came from various background and most of them were with business knowledge and experience. Furthermore, only slightly more than half of the owner-managers interviewed had received basic training whether before or starting up the business. The mostly attended training was basic entrepreneurial course (13 owner-managers), which covered all aspect of managing a small firm. The hospitality and tourism related course attended by some of owner-managers (7) were front desk, restaurant operation, tourism awareness and craft making (Table 6.2 Appendix 13). However, a large number of owner-managers (17) were not receiving any training at all.

It is understood that mostly small firm owners started their business with a small amount of capital. The capital available for starting the business was small because the

major resource was personal saving. Some people might get a personal loan from family members, relatives or friends. Limited capital was a common problem for small firms, including small chalet firms in the research areas. Owner-managers in all areas had mentioned they faced financial problems in the early years of business. It was a common, major problem, as it needed only a short phrase to explain as:

Lack of capital..... (Interview 12)

Limited funds..... (Interview 23)

Problem number one was finance. Because of it I did not get any

loan, I used my personal fund..... (Interview 27)

Actually, more than half of the small chalets firms interviewed used personal saving and family fund to start-up the firms. Thirteen firms used personal saving and nine had mentioned using of family fund, and two obtained formal loan to top up personal fund as sources for start-up capital, (Table 6.3, Appendix 13). There was only five firms borrowed money from financial institution to fund the firms. Interestingly, eight firms received start-up assistance from MARA, a government development agency through a special scheme.

For the pioneer owner-managers, they were not just faced with the above-mentioned problems but were challenged to make the service available despite the absence of basic

infrastructure. Mr. Nazir, the pioneer in chalet accommodation in Pulau Tioman recalled:

At that time, there were no electricity and water supplies.....

(Interview 10)

The time referred to by the above Mr. Nazir however, was in the late 1980s. Even the villagers were not supplied with electricity and treated water at the time. The owner-managers took on the challenge to carry on the accommodation services with their own measures. It took many years for the Government to provide basic infrastructure to the villages. However, the owner-managers in many sites in Pulau Perhentian were less fortunate. They were not supplied with electricity and treated water as cited in the above statement. But some sites, which were close to the reservoir that supplies treated water to the residential areas, had been supplied. The electricity was still powered by generators.

There was a different type of problem faced by the owner-managers that were from outside of the village. The local owner-managers as well as the local residents did not welcome them; the local owner-managers as well as the community harshly harassed some of them. Mr. Omar, an outside owner-manager in Pulau Tioman recounted memories of the hard times he had faced as:

My problem was with the local chalet owners, because I was an outsider. They felt uncomfortable and were not ready to compete.....

(Interview 14)

Mr. Atan in Cherating also went through the same problem:

I had a problem with the locals because I was an outsider. Local people tried to sabotage my business because they were scared I would take away the business from them..... (Interview 32)

In Marang, Mr. Ikram faced a tougher time from the locals because he was the first one to operate a small-scale accommodation to visitors within the village. He recall the situation as:

We faced problems from every corner because we were outsiders. We were portrayed as intruders. Since tourism was unknown 17 years ago, they accused us of bringing bad things and an unhealthy culture into the village..... (Interview 24)

From the above discussion, the problems faced by the owner-managers can be summarised and grouped into seven themes as listed in Table 6.8.

Table 6.8: Problems faced by the owner managers in the early years

Problems faced: Themes
Transportation
Marketing and no experience
Supplies of raw materials
Shortage of room supplies
Lack of funds
Absence of basic infrastructure
Not welcomed by the local community

6.5 How the problem was solved

Owner-managers tried to solve the problems they faced in their own ways. When asked how they solved the problems they faced in Section 6.4, some of them mentioned utilising the resources that were available locally, while a few of them had no clues as to what they could do better but were passionate about absorbing the challenge.

However, there were also owner-managers who took a positive approach to carrying on the business in the present situation and tried to solve problems and make improvements slowly and gradually from time to time. The ways problems have been solved is discussed in the following paragraphs.

The owner-managers carried on the operation of the chalet business by capitalising on the existing resources to cope with financial or funding shortages. To save the initial start-up cost, Mr. Kadir in Pulau Tioman said that he had to be an all-rounder, and that he and his wife had to do every job by themselves, including preparing the land for building chalets and their compound by cutting down and clearing old coconut trees. He carried out these tasks in the late afternoon after finishing his job as he was still on his permanent job with an energy company. Then Mr. Kadir added on:

I did everything by myself and with help from my wife. Starting with clearing the site, then building a wooden bridge and upgrading the compound. Through this hard work, we added 3 longhouses (dormitory) a year after that. Every year we build one or two new chalets from the money earned..... (Interview 18)

Mr. Rahman in Pulau Perhentian who shared the same problem, which was limited start-up, took a step-by-step approach. Rather than waiting to have a generous fund available, he began by building a few units and rolled the fund earned from the room sales to reinvest in business expansion from time to time as he mentioned:

I started by doing a little by little, slowly. From 7 units of chalets, I expanded with new units whenever I had the money.... (Interview 38)

This gradual development is considered sensible in order for small businesses to overcome the financial burden of borrowing and servicing the loan. Mr. Aziz, a young owner-manager, who had been given full authority by his parents to run the business, was overwhelmed with the decisions. However he faced a big challenge ahead to bring a face-lift to chalets in an aging condition. Instead of being deterred after a loan application was declined, he touched-up the chalets where necessary, as he confidently explained:

Just carry on, and try to maintain what I have and repair where needed. When I have enough money, I will build new units.....

(Interview 8)

The pioneer owner-managers use local resources from the surrounding area, capitalising on whatever materials are available at that particular time. More than two decades ago, houses in the rural villages were built from raw materials that were abundant from the forest. Raw materials, including wood for frames and structures, bamboo for flooring and walls, and sago leaves for roofing the houses, were all from natural resources. In this way, the chalets in the early years were built, as told by Mr Ali in Pulau Tioman:

At that time, there was help from the Government. We did it by ourselves. With a small amount of personal savings, we got the wood

from a local forest, bamboo, sago leaves for roofing, and it was at a very low cost.... (Interview 12)

Mr. Nazir, the pioneer of the chalet accommodation in Pulau Tioman took the same approach to building chalets in the early days, using local and natural resources. He built a simple A-frame hut, just big enough to accommodate up to 2 guests. In addition, in the absence of water and electricity supplies, he channelled water in bamboo made pipes for his guests from a nearby stream and lit the hut with old kerosene lamps. He proudly recited the story of his first chalet:

I have my own land, so I was thinking to build a simple hut. With local resources from the nearby forest, I built 2 A-Frame huts. I got water from a stream for bath and toilets usage with a hand-pump and kerosene lamps. (Interview 10)

There was nothing better for outsider owner-managers to do than to be enthusiastic and digest the situation in order to overcome the unwelcoming local community and the local owner-managers. In other words, avoid over-reacting to the harsh treatment or the acts of sabotage. Undoubtedly, to do so, they had to endure a reasonably long period of time, a hard time and a physically and mentally challenging time. Consequently, the result was fruitful as stated by Mr. Ikram in Marang:

Just being passionate. I adopted a principle from the Ghandi film.

That was just ignored and never reacts to the provocation. After a while when they do not enjoy it, they stopped bothering us. (Interview 24)

Mr. Omar in Pulau Tioman agreed; instead of confronting them using any method, he was trying to get closer to the locals. Furthermore, he utilised the chances to immerse himself into the community as well as offering some services to them. He disclosed:

I followed the suggestions from the Koran. That was being kind to any one even if they gave us a problem. When invited for a community gathering, I went there. When the Imam (community religious head) was not there, I volunteered to say the prayer.....it was alright after a few years..... (Interview 14)

It was similar for Mr. Atan an outsider owner-manager in Cherating. Moreover, without waiting long, he initiated the interaction with the locals and tried to offer any service that he was capable to do to. He claimed:

I tried to interact with them. If there is any community event or committee, I join them. (Interview 32)

Interestingly a few owner-managers solved their problems using networking activities. As mentioned in Section 6.4, most owner-managers in the island locations were facing a transportation problem. To overcome it, a few owner-managers approached other contacts like boat operators to help in transporting passengers and materials. To give one example, Miss Murni in Pulau Tioman told of an arrangement with a contact to:

Discuss with the boat operator for transporting passengers and materials (Interview 19)

Another good example of networking activity was using a contact as network broker to gain access to a credit facility. In the first year of business a new owner-manager needs support from the established business community to build network relationships. A new (then) owner-manager, Mr. Kadir stated:

.....then I asked a recommendation from Pak Long Bidin (Salang Indah Chalets' owner) to get a credit facility from a supplier.....
(Interview 18)

This research found that owner-managers had taken various approaches to overcome the problem they were faced. However, the appropriate approach taken by an owner-manager was seemed to be identical with other owner-

managers in solving the similar problem. Table 6.9 summarised the approaches.

Table 6.9: How the problem was solved

How the problem was solved: Themes
Do it slowly and improve gradually
Be passionate and kind
Using local and natural resources
Networking

6.6 Type of networks of the owner-managers

In the interviews owner-managers were asked whether they had relationships with formal associations or networks that were related to the business activities of chalets firms such as the chamber of commerce, tourist association, marketing consortia, supplier links, and social clubs. The result found that not many owner-managers had relationships with formal networks (Table 6.4, Appendix 13). Only fifteen owner-managers belong to tourist associations that were the Pulau Tioman Boatmen Association (all owner-managers in Pulau Tioman), and an owner-manager in Pulau Perhentian had joined an association related to tourism in Kota Bahru, Kelantan. The only owner-manager that had formal membership with a chamber of commerce revealed that he joined the chamber when he was a builder. Four owner-managers had

appointed marketing agencies as their marketing and sales agents. Other formal relationships they had were with the suppliers, social club that was the association for women, which was organised by the Agriculture Department, sport and recreation, and others. Interestingly, ten owner-managers revealed that they were belonging to political organisations (parties), but none were in a trade association.

The owner-managers however, had close relationships with other parties that were not regulated by formal memberships. These informal relationships were mainly with the people around them such as family members, friends and relatives. They were also had informal relationships with important parties like the government agencies, business associates, banks, customers and suppliers (Table 6.4, Appendix 13).

6.6.1 Help and support network in the early years

When were asked for the source of help they sought for to solve problems faced during the early years of their business, they indicated that the main source was the same group of people as the informal network contacts. These informal network contacts were mostly related to the chalet business as the owner-managers were in. They were the owner-managers business partners, their chalet firms' employees, owner-managers from other chalet firms, business people from other sectors, government officers, and other people that related in managing tourist activities (Table 6.2, Appendix 13). However, the source of help depended on the types of problems faced. The following paragraphs

discuss the types and the source of help the owner-managers get from their network contacts.

Small chalet owner-managers normally turn to family first to seek help. The first was usually the spouse, then parents and followed by the siblings. Most of the help sought from family was for financial and other problems mentioned by the respondents concerned getting support from them. Mr. Azman disclosed the help they seek from family members:

The closest person to me is my wife. My parent was a fisherman and can give no help. I use my own money and have help from my wife.

(Interview 9)

Similarly, Madam Rose:

I have had a staff problem since 1995. So, I speak and discuss with my husband, he is my right-hand man. (Interview 28)

And Madam Fatimah:

After finishing the school, I started with a grocery shop. I borrowed from my father RM1000, my brothers Bidin RM1000 and Sani

RM1000 to buy furniture for my guesthouse. But the house was burnt many years ago.... (Interview 6)

Mr. Rahman was also utilised the family member for help:

No bank loan. I asked for help from family. My mother runs chalet business at Teluk Dalam. (Interview 38)

The help that owner-managers get from friends in the early years was only morale support or advice, especially from other chalets owner-managers. An outsider owner-manager, Mr. Atan had revealed that he turned to another outsider owner-manager who was also operating a chalet firm in Cherating to discuss his problem because they shared a similar situation. Furthermore, his family was far away and friends from other types of businesses did not understand the situation well, and revealed:

I discuss with friend like Tengku Hilal (an outsider chalet owner)...
(Interview 32)

Another reason disclosed by an owner-manager for seeking help from friends was because none of his family members were involved in the chalet business and they might not be able to offer any help. Therefore, Mr. Malik regularly went to see friends in the early years as he said:

Morale support and advice from friends made me stay in the business..... (Interview 15)

Owner-managers were also sought help from network contacts outside family and friends circle such as government agencies and banks. As mentioned earlier in this section, eight owner-managers had received assistance from a government agency. In the 1990s the Government introduced a special scheme to help small-scale entrepreneurs. For the tourism sector, a scheme was introduced to help the local people in tourism destinations to start small businesses. A special package was offered to local landowners. The scheme was managed by a Government development agency Majlis Amanah Rakyat (MARA). Each participant was given a loan amounting to RM20,000. Instead of giving the fund, MARA built 4 units of chalets, which was equivalent to the amount of the loan. Many owner-managers in Pulau Tioman started their chalet business through this scheme, as Mr. Kadir and Madam Fatimah stated:

At the end of 1990, we joined the MARA chalets project.....

(Interview 18)

Because auntie (referring to herself) had land, MARA provided a funding facility through a chalets project for locals in Pulau Tioman.

(Interview 6)

This special scheme was administered and made available for a certain period of time only. However, MARA continued helping anyone interested to start a small business under a new type of fund, '*Tabung Usahawan Kecil*' (Small Entrepreneur Fund). This fund is not restricted to tourism related businesses only, but is open to all business sectors. Only one owner-manager interviewed, Mr. Nasir was using the facility, as he disclosed:

We started slowly. My father got a loan from MARA under the '*Tabung Usahawan Kecil*'. We purchased this land and built 4 chalets on it (Interview 41)

Bank was also another choice as a source of network help for small firm owner-managers. For the owner-managers that qualified under the terms of the credit requirements set by the bank, it was an option to obtain a larger start-up fund than from personal savings. Only nine owner-managers used the bank as a source of help in the early years, as two of them Miss Nora and Mr. Karim recounted:

The land belongs to our family; we got loan facilities from the bank...
(Interview 5)

Help from a bank loan at the beginning. Bank Pertanian (Interview 43)

The owner-managers also sought help from their business network contacts. These were suppliers and travel agents. It has been said that through the contacts, they made arrangements with the suppliers for regular deliveries of materials, especially the sundries items. Miss Murni in Pulau Tioman mentioned:

We order raw materials from the mainland. The supplier sent the materials (sundries) by the ferry..... (Interview 19)

So did Mr. Adam in Pulau Perhentian; he arranged help from travel agents to market and act as his sales representative in his statement:

We marketed our chalets through agents at Kuala Besut and the tourist office in Kota Bharu.... (Interview 41)

Interestingly, the pioneer owner-managers of small chalets, Mr. Nazir and Mr. Ali in Pulau Tioman admitted that they did not get any kind of help from anyone. Not to say that help was not available, but they were not aware that any kind of help was available. This was because no information was available within their locality and the remote

location of the island limited the speed of information travel. Here is Mr. Nazir quotation reciting his interesting stories:

Was there anyone who can help? No idea and no information available. We hardly go to the town on the mainland. However, I tried to apply for a loan from a bank a few years later but there were too many requirements and regulations to comply with. I was afraid and did not proceed..... (Interview10).

Which was also agreed by Mr. Ali:

At that time, the Government did not offer any help and the bank did not see any future in the small chalets' business. Could not get any help..... (Interview 12)

Sadly, when they were aware of sources of help, their applications were denied because of others ignorance and inability to see the future of the small chalet business.

However, that was over 20 years ago.

6.6.2 Features of business network contacts

The owner-managers had discussed business related matters with only a small number of people. When were asked to about the number of people they had business discussion with, twenty-one out of thirty-seven owner-managers interviewed were

having business related discussion with five people or less. Only a five mentioned had discussed with more than ten people about business matters. The rest of owner-managers were with between six and ten people (Table 6.4, Appendix 13).

Then they were asked to name up to five people who they usually contact to discuss business matters. About seven of every ten people in the list were male and nearly all of the contacts were from the same ethnic group as the owner-managers were that was the Malays. The groups of people in the contacts list were the people who were having personal relationships with the owner-managers. They were family members, friends and relatives (Table 6.4, Appendix 13). Family members were at the top of the list, represented by four of every ten people named in the list, then relatives and friends, and followed by owner-manager's spouse. The business network contacts were mostly the people that involved in the chalet business. About one of every four people was their business partner, followed by their employees and owner-managers of other chalet firms.

6.6.3. Features of social network contacts

The owner-managers were also asked to name up to five people they normal contact for other reason than business matters. This included the people they socialised with, occasionally or people they usually hang out with. These contacts can be considered as their social networks. This research found that eight of ten people of the social network contacts were male. Almost all in the list were Malays, the same ethnic group as the

owner-managers from (Table 6.7, Appendix 13). More than half of the social networks of the owner-managers were composed of their friends. Other main groups of people in the contacts were their family members and relatives.

The composition of the owner-managers' social network contacts was fairly diverse.

The social networks were built around many types of people that were considered close to the chalet owner-managers. Most of the people in the social networks were in the same occupation or business as the owner-managers were in, followed by people from other types of business, their self employed friends and relatives, their employees, some housewives and their business partners. The network contacts from other kind of jobs worth mentioning were from tourism related activities such as diving, guiding and souvenir shops, and the government officers.

6.7 Owner-manager's views on networking

In the interviews, owner-managers were asked the reason they participated in networking activities with the people they named in the Section 6.6.2 and 6.6.3. They were also asked about their expectations from the network contacts and how they chose the people to have networking relationships with. The responses are discussed in the following sub-sections.

6.7.1 Reason for networking

Owner-managers had revealed the reasons for networking as including sought for ideas and opinions, to get credit facilities, and to co-ordinate tourist activities from the network contacts. It was widely understood that more heads are better than one. This means the more people they discuss this with, the more ideas and opinions they get. Furthermore, from the pool of ideas and opinion received from others, an owner-manager might select the option that seemed to best suit the situation or problem. In other words, more available options resulted from discussions with other people, as claimed by Mr. Nazir:

When you are alone, you always think what you do is the best. When there are two of you will get more options, more ways and ideas with three or four people. To me, we get more knowledge and opinions when discussing with others.... (Interview 10)

Besides getting more ideas and opinions, the participants engaged in networking relationships to learn something new from their network contacts. Something that one never thought of by oneself. Alternatively, it emerged from discussion that this is because other people see things from a different perspectives and do things different ways. Undoubtedly, a network actor learns new things and gets new knowledge through networking activity, as Mr. Ramli from Juara Village, Pulau Tioman admitted:

....the first thing to me is I always try to find out what I don't have.

With discussions with other people I noticed they brought up something that I never thought of. (Interview 16)

The common limitation that hindered the development of a small firm was the lack of funds or money, getting access to the credit or loan facility. In the early years, the rate of success in getting financial assistance was very low, so small firm owner-managers used networking for financial accessibility in the future. Madam Fatimah made know her networking reason as:

For getting access to credit and loans. The loan is available now, but I don't want to apply for it right now. (Interview 6)

Besides getting access to a credit facility, the owner-managers also wanted to arrange for the delivery of facilities from the suppliers. Moreover, Mr. Nazir explained that he aimed to follow the success of other counterparts by adopting their winning formula through networking for:

Credit, delivery facilities and to move forward together. (Interview 10)

Owner-managers engaged in networking, not only to get access to facilities, but also to work together with other tourism and hospitality related sectors. This cooperative relationship between the involved owner-managers is vital to ensure tourist activities are well coordinated. Miss Nora gave her reason for networking as:

I am managing this chalet, and other people manage a boat service so we have to work together to get tourists here.... (Interview 5)

However not every participant has a particular business reason for networking. Some actors also saw networking as a way of socialising. For example, as a platform or place to meet with friends, as mentioned Mr. Nasir:

I don't know. They are my friends. I just get together with them.
(Interview 37)

In addition, Mr. Nasir believed that his friends would try to help him when he asked for as he always prepares to do the same thing for his friends when it is needed. The reasons given by the owner-managers for engaged in networking relationships can be summarised as in Table 6.10.

Table 6.10: Reasons for networking

Reason for networking: Themes
Ideas and opinions
Credit and facilities
Coordinate tourist activity
None of the kind

6.7.2 Expectation of the network

The owner-managers were asked about their expectations from the network contacts they have relationships with. From the responses, it is shown that their expectations were not very different from the reasons for establishing network relationships in Section 6.7.1. In short, their expectations were to achieve whatever they had engaged in the networking activities for in the first place.

They expect to get the benefits they needed from the networks or at least gain access to the facilities available within the networks. Mr. Azman expressed his expectation from his contacts was:

... to get access to other things that we need. (Interview 9)

As a member of the Pualu Tioman Boatmen Association, Mr Ayob expected:

We want to get some facilities and benefits from the association, especially at the boat counter at the Berjaya Hotel... (Interview 7)

They were also expected to get ideas and support from the network contacts that could help their business activities as Mr. Ali expected from other chalet owner-managers, and government officials:

We always discuss about the ways to improve the quality of tourism, problems, advice and support for ... (Interview 12)

And Mr. Omar's expectation was:

Ask for support and opinion from best friends. (Interview 14)

Besides business purposes, owner-managers expect other local network contacts to contribute to the development of their village, as was noted by Mr. Kadir of Salang Village in Pulau Tioman of owner-managers and the villages:

Not just to get opinions and support for my business but to develop our village as well. (Interview 18)

Reducing the transportation cost for carrying tourists and delivering supplies from the mainland was another expectation mentioned in the interview, for example by Miss Nora:

... to be able to reduce the transportation cost (Interview 5)

However, some owner-managers have no specific expectations of the network; but they seemed to assume that they might ask other network contacts for help when possible later on. And again, Mr. Nasir always had a good view of relationship with his network of friends:

I don't know. Easy to ask for help, may be... (Interview 37)

Some of the owner-managers admitted that they really obtained what had been expected from the network. However, not all of their expectations from the network were obtained. Only two out of the four expectations owner-managers had from the networks were actually met; these are: help and support, and the ideas and advice they get from the network contacts. For example, Mr. Ali acknowledge that:

We always discuss the ways to improve the quality of tourism, problems, advice and support for..... Sometimes we get it, sometimes not. (Interview 12)

And Mr. Omar replied when was asked:

Ask for support and opinions from best friends.

Yes, I got it. (Interview 14)

6.7.3 Factor considered before engaging in networking

Before they engaged in network relationships, owner-managers tried to satisfy the requirement they set for networking. The primary factor considered for networking was the trust upon the network contacts. A series of quotations expressed by the owner-managers below show how trust became a vital deciding factor in perform networking activities, firstly by Mr. Ramli:

Like myself, I went to Mersing because there are many counters there. The first thing I looked for was someone that can be trusted. To this date, I have been using the Sun and Sand S/B as an agent for 4 years. He is one of our people, Malay and has never been any problem so far. They sent 2 guests from Mersing yesterday. I picked them up at Salang. (Interview 16)

Secondly, Miss Murni on her networks contacts of friends:

... can trust and rely upon them. (Interview 19)

And thirdly Mr. Rahim on his sales agent:

Trust their staff we knew them. (Interview 40)

The owner-managers seemed to have known their network contacts for quite a long period of time. This might be because the network was based locally; that is that most of the network contacts came from or lived in the same village or geographical area. They were often not only a local but also a close friend or a childhood friend, as revealed by Mr. Adam in Pulau Perhentian on his sales agent in Kuala Besut:

Yes, at Kuala Besut. So far, we have no problem. He is a local and I knew him. (Interview 41)

Mr. Zaidi on Mr. Ali who was from the same village as him was from:

I have been a friend with Mr. Ali since our childhood. (Interview 11)

Mr. Ali on his network contacts of friends particularly the owner-managers from other chalet firms:

We knew each other for quite a long time, we are islanders and involved in tourism. (Interview 12)

It can be considered that the network contact can attract another contact to join the network. For example, it drew the people that have the same kind of interest to group together as stated by the owner-managers, Mr. Omar and Madam Aminah on the social network contacts:

I normally looked for someone who has the same interest with me that I feel comfortable with. (Interview 14)

.....if they looked okay. Those who like to talk about life and sometimes about business a little bit. (Interview 17)

However, Mr. Atan disclosed that he would engage in networking with anyone, as long as the person can help in his business. He explained:

Firstly, with business friends that can help us. I also make friends with the police force, suppliers, business related guys..... (Interview 32)

The factors considered owner-managers before engaging in networking with other people can be summarised in Table 6.11.

Table 6.11: Factors considered before engaging in networking

Factors considered: Themes
Trusting the contacts
Having known the contacts for a certain period of time
Coming from the same village as the owner-manager
Having the same interest in business
Able to offer some help for the business

However, trust is always become the first factor to look for particularly in establishing a new contact. Since trust became the major factor considered by the owner-managers in deciding whether or not to engage in the network, they were asked in the interview how they came to trust other network contacts. The participants mentioned that the factors that built trust were that they knew each other for many years, being recommended and personally referred by other network contacts. The main factor that

caused them to trust their network contacts was that they were friends and had known each other for sometime; so they could be relied upon, as explained by Mr. Ramli:

Trust, as I mentioned earlier: I knew them so I could rely on them.

They never take any issue lightly in our discussion... (Interview 16)

Even though friends were reliable, some times the reliability could be tested. So the most reliable network contacts were friends with a tested reliability, said Mr. Datuk Mahad on friendships with his network of friends:

Yes, trust came naturally from the friendship. However, I have tested their reliability before... (Interview 27)

It was understood that someone could be trusted if recommended by a reliable network contact. The reliable network contact could be a network broker or an active and reputable member that knew both parties. Mr. Kadir mentioned that he gained the trust of a supplier after a recommendation by a reputable network contact:

I didn't have enough money to buy furniture when I started my business. With a sum of RM700, I asked for a recommendation from Pak Long Bidin (an owner of other chalets) to get a credit facility

from a supplier for more than RM2000 worth of furniture. As a newcomer, no one knew me..... (Interview 18)

Trust can also be built from a personal reference from another network contact. It refers to a network contact recommending another network contact to link with. For example, Mr. Atan was given a recommendation to link with someone he did not know by his network contact to provide access to resources:

....if they cannot supply you the things you want, they will recommend their friends who I can link to. (Interview 32)

6.7.4 Benefit of networking

Most of the owner-managers found that networking did not provide many tangible benefits for them. Table 6.6, Appendix 13 shows that networking did not help at all in costs sharing and cost reductions. Networking provided greater market coverage for only two owner-managers, and resulted sales increased for seven owner-managers. Just five owner-managers enjoyed credit facilities and discount from the networks while this did not happen for the others. Ten owner-managers said that there was some improvement in performance, particularly the chalet management skill. However the most significant benefit was the knowledge sharing within the network that shared by seventeen owner-managers.

The networking activities had some impact on individual owner-managers; however, this differed from one to another, which may be related to the individual's reasons for networking. Where positive impacts were recognised, it was found that these owner-managers had: gained a degree of positive self-improvement resulting from advice from those they considered to be their seniors; their friendship and relationships within the network were better than others; and they had experienced learning and new ideas from other contacts that worked well in their own businesses.

6.8 Owner-managers networking activities

Section 6.6.2 presented the business network contacts features of the owner-managers. It was understood that owner-managers organised networking activities with the contacts, particularly with the five people they named as their business network contacts. In the networking meetings, owner-managers discussed various business aspects related to their chalet firms with the contacts. The aspects of discussion with the contacts were mostly centred on the management and operation of chalet firms (Table 6.5, Appendix 13). They were also discussed on financial matters of the chalet firm with the contacts. However, they may have discussed a different aspect with different network contacts, for example the chalet management and operation, with their staff or employees, and financial aspect with partners. Owner-managers were also utilised the network contacts in seeking for advice and ideas in the networking

activities, and usually from other chalet owner-managers. Most of the time the discussions were on other than business aspects but on other aspects like social issues, gossiping, family matters, and religious talks. Table 6.5, Appendix x indicates that more than one-third of the discussions in the networking meeting were not focused on business. According to Miss Nora, the topic of discussion was depending to whom they speak with as she stated:

I normally discuss business matters with my sister and my brother.

With other friends, we enjoy speaking on daily issues. (Interview 5)

Similarly, Madam Rose would also took the same stand in selecting aspect of discussion with her network contacts as she pointed out:

Any problem, I will speak to my husband.....but with my friends in Kuala Lumpur, just as gossiping company and to pass time....

(Interview 28)

Most of the owner-managers met their business network contacts for networking activities once or twice a month. Some of them even had networking meeting up to four times a month. The networking meetings of chalet owner-managers were usually very short, with the total of two hours per month. Not many of them stated that they spent a longer time, such as more than four hours (Table 6.5, Appendix 13). Three of every

five networking meeting took place whether at the chalet office or at the owner-manager's house. Only one of ten networking meeting was a restaurant or café, or somewhere local. In this case, chalet owner-managers did not travel away from the village to meet up with their business networks contacts. According to Miss Murni, travelling was needed because she communicates with her contacts that live far away through telephone.

The owner-managers mentioned that they treated their business network contacts in many ways in order to please them whenever they met such in term of meals and entertainment. But more than half of owner-managers reluctant to disclose the amount of money they spent for the treat. Some of them just gave an amount about RM50 or less. When asked whether the amount spent for networking was worth or other wise, most of the owner-managers were did not decide on the comparison o the value of the spending with the benefit obtained.

6.9 Maintenance of Network Relationships

Owner-managers agreed that network maintenance is important. It means that the network relationships should be kept in good condition. When asked about maintaining network relationships, the respondents answered that an actor has to put in some effort, such as offering help in return, meeting and contacting the network contacts regularly and performing the required obligations. Since the informal network relationships did

not require an official agreement, there was no written policy for an actor to follow. In this small chalet owner-managers' network that was composed of friends, family and relatives, the term of the contract was 'to give and take'. The owner-managers stated that they offer help in return to the network contacts, for example, Madam Aminah:

If they need any help, I will try my best to give a hand.... (Interview 17)

Datuk Manan:

I offer help in return. Help each other, two-way assistance....

(Interview 27)

And Mr. Ikram:

For instance, when they need transportation to send relatives to Mecca to perform Hajj, we provide a van service to the airport free of charge (Interview 24)

The owner-managers were also meeting and contacting other network contacts regularly to keep on good terms as Miss Murni, Mr. Atan, and Mr. Kadir respectively said:

Keep contacting, meeting with them, or what you say...give and take.

(Interview 19)

It isn't difficult. Meeting them, go out for drinks, having fun together.

That's about it. (Interview 32)

Always maintain a good relationship, tie up, if there are any loose ends. I am open, straightforward and like to offer advice.....

(Interview 18)

Lastly, but an important maintenance job, is to pay the required obligations Mr. Kadir added:

Pay back or settle your credit with the supplier. Then be honest, do not forget to take good care of your parents and family.

(Interview18).

6.10 Problems anticipated in the network

The owner-managers were asked about the experience they had in dealing with their network contacts. Not many mentioned the problems they faced with the network.

However, some of them admitted that there were problems, which they saw. The

problem that appeared in the formal network was mismanagement. For example, the boatmen association's management misused the power and authority given to them, as members of the association, Mr. Ayob and Mr. Aziz complained:

The problem was with the people, who were also the committee members in-charge at the association's counter; they load tourists only in their boats. The ordinary members hardly get a turn.... (Interview 7)

The association is for the management committee, not for other members. The same thing happened in every term.... (Interview 8)

Likewise the marketing agent, in order to maximise the profit and increase the sales, acted outside of business etiquette. This misbehaviour often caused trouble for the owner-managers. Mr. Aziz expressed his disappointment on what was happened:

I don't deal with an agent anymore. He was not honest in marketing our chalets. The agent always promised the guests the thing that we never provide. When the guests arrived, they demanded the facilities and services that had been promised by the agent. This caused bad relationships with the guests..... (Interview 8)

The problems with informal networks are normally centred on emotional issues. The challenge faced by owner-managers is to satisfy everyone in the network. Everyone in the informal network is closely attached to each other; so a slip of the tongue may deeply hurt several people. Mr. Ikram revealed his emotional situation with a network contact, his father:

Sometimes it is difficult to manage family business because you have to maintain harmonious relationships with the family members involved; like myself, the father and son relationship. No matter to what extent you can discuss a matter or when sometimes you have any disagreement with your father, still he is your father. You have to take one step back, because you have to listen to him and can't overwrite his decision. I normally compromise to avoid hurting his feelings. But he is tuning mellow over the years. Now he almost lets me run the show. However, I still consulted him or asked his approval on major decisions because of the respect. (Interview 24)

6.11 Critical incidents of networking

At the end of the interviews, the owner-managers were asked to recall any incident related to networking that had impact to their business. Most owner-managers found that the incidents that happened to them were insignificant and did not leave any major

impact on their business. Some of them were reserved and wanted to keep the incidents to themselves. However, there were a few incidents told by owner-managers that gave the negative and positive impacts (see Table 6.12).

Table 6.12: Critical incidents associated with networking

Critical incident	Impact
Death of spouse	Negative
Monsoon	Positive
Cheated by travel agent	Negative

A critical incident that happened to an owner-manager Madam Fatimah, was the death of her spouse. This incident really hit her and had impacted on the business up until the time the interview took place, as she recited in a sad tone:

In these few years my business declined. The business was really in bad shape after my husband passed away. My eldest son was supposed to take care of the business but has failed to do so. Last time the business was good. Besides the chalets, we had 5 sea buses to take tourists for fishing, diving and island tours and also a van for ground transfer. Now what is left are these few old chalets...

(Interview 6)

The travel-sales agents were cheating another critical incident that happened that had a negative impact on the owner-managers. A relationship that had been based on trust became a knife that stabbed them in the back. Two examples of the incidents that happened were as told by Mr. Azman from Pulau Tioman and Mr. Rahim from Pulau Perhentian :

One agent sent guests to us. One or two times the agent skipped payment, we thought that was okay and he will make the payment later. It went on and on for quite a number of times. He had all the sales for himself but we bore all the costs. To take legal action against the agent would mount up the costs and we doubted if we would get back our money..... (Interview 9)

We did not have any agreement with the agent. But one agent, Perhentian Ferry Travel and Tours had been doing a lot of sales and sent guests to our chalets. He did quite a good job; he created a web to promote all chalets in Pulau Perhentian, even booking through the Internet. Everything was all right at the beginning; after 5 years he collected the money from guests on behalf of us, he ran away with it. (Interview 40)

Not all critical incidents associated with networking had a negative impact on the business. There was one incident that left a positive impression of networking, as reported by an owner-manager. Help from network contacts gave him a lifeline to stay on in the business after his chalets were badly hit and damaged by the monsoon rain and storm. Mr. Ramli recounted the incident:

In 1999, the monsoon caused a big flood. The flood washed my chalets away and damaged them. My friends came over to help me to collect the wood and do repairs for one week. They volunteered their energy and time, and refused any wages. However, I prepared food and drinks for the entire period of the event. I am very grateful to my friends..... (Interview 16)

6.12 Summary

There were more men than women owned or managed small chalets. Almost half of the owner-managers were young that is less than 45 years old. Owner-managers came from several different occupational backgrounds however, a few of them were in a family business prior starting up their business. They were still new to the business, and most of them were in the first ten years. More than half of the chalet firms had up to 25 units of chalets. The chalet firms had a small number of employees, and most of them were family members. The initial interest to start-up a small chalet business in the research

areas came from both economic and a non-economic motivations that are: business opportunities in the sector, involvement with a family business, the desire to be one's own boss, to gain more income, to maintain a lifestyle, the attraction of the tourism business, the desire to stay close to family, and the result of debt settlement. In the early years of the business, the small chalet sector faced problems with the lack of funds for business start-up, inadequate management and marketing experience, in the transportation of materials and passengers, in the shortage of raw materials and room supplies, with the absence of a basic infrastructure, and in the case of owner-managers came from outside was with the acceptance of the local community. They solved the problem of the lack of funding and experience by getting on with the business operation slowly and improving it gradually from year to year. Personal saving and family fund were mostly used as the sources of start-up capital. The shortage of raw materials and absence of infrastructure were solved by using the available local and natural resources. Networking eased the transportation problem with boat operators. At the same time, the outside owner-managers were conservatively enthusiastic and considerate in order to gain acceptance from the local community. In helping them to overcome their problems, the owner-managers have asked for help and support from networks of family and friends, development agencies, business contacts and banks. The help from family, banks and the development agency was mainly in financial assistance, while from friends were more in term of moral support and advice. Not many of the owner-managers were members of a formal network. However, they had a close relationship with an informal network that consisted of family members, friends, relatives, and

business associates. Owner-managers discussed many aspects of business matters during networking meetings with the network contacts. However, the number of network contacts involved in the discussion was small, which was five people or less. The chalet management, business operations, financial matters, and seeking advice and opinion were the aspects mostly discussed.

The business network contacts of the owner-managers were consisted of the people working within the chalet business. Networking meetings were held once or twice a month, and for about up to two hours. Most of meetings were took place at the owner-manager's house or at the chalet's office. Less than half of the owner-managers spent some money during the networking meetings for food and drinks. They found the spending was worthwhile compared to the value of benefits gained from it. However, the networking did not benefit them much, but did provide an opportunity for knowledge sharing.

For the purpose of socialising, owner-managers network with friends more than other groups of people. The social networks were fairly diverse however, most of contacts were in the same occupation or business as the owner-managers were in. The owner-managers social network contacts were mostly well acquainted with each other, with every social contact knowing everyone else.

Owner-managers gave reasons for networking as being: gaining ideas and opinions, access to credit and facilities, and the coordination of tourist activities. They expect to get a reduction in the costs of transportation, business facilities, and ideas and support from network members. However, only help and support, and ideas and advice were actually obtained. The factors considered before deciding to engage in networking are: trusting the contacts, having known the contacts, coming from the same village as owner-manager, having the same business interest, and ability to offer some help for the chalet business. Trust had become the key factor in networking, and it emerged from long friendships and a guarantee in the form of personal recommendations and references. In order to maintain the network relationships owner-managers offered to help in return for help received, always keeping contacting and meeting the network contacts. The ties with the network had different purposes; family ties are for business matters while the ties with friends are for social. The problem anticipated in the formal network is a problem with the network management, particularly mismanagement and unethical business conduct, but is an emotional one in the informal network. The critical incidents that happened within the networks often left an impact whether positive or negative on the business. The positive impact of a critical incident that was reported was the help received from network contacts to overcome the problem caused by the monsoon. The incidents that left a negative impact were the incidents involving the death of a spouse and being cheated by travel-sales agents.

Chapter 7

Discussion of the Findings

7.1 Introduction

This chapter analyses and relates the empirical findings from the research and the literature review. The analysis begins with the aim of defining the characteristics of the chalet firms and the owner-managers. The following sections analyse the features of the networks and networking of the chalet owner-managers. The critical incidents associated with networks that impact on owner-managers' businesses are discussed.

7.2 Characteristics of small chalet firms

This section analyses the application of definitions that suit the research in to small chalet firms; beginning with a definition on the basis of number of rooms, employees and a grounded approach and then going on to suggest a modified definition. The analysis of the findings on the background of chalet firms, start-up motivations and capital, the problems faced and the solutions appears in the sub-sections that follow.

7.2.1 The application of the small chalet firm definition

Generally, the number of employees was used as the basis for the definition of a small firm; however, other factors such as turn over, number of units of capacity and grounded approach can be adopted (Sections 3.2.1). In the accommodation sector however, literature suggests the use of the number of hotel rooms and a grounded

approach to define the firm's size (Section 3.2.2). It is suggested that a small hotel has less than 25 guest rooms, and for the grounded approach, a small hotel is financed and managed by the owner/s in a personalised way and has limited capacity (Section 3.3.2). The analysis of the findings indicates that twenty-six out of thirty-seven chalet firms had 25 units or less, and eight had between 26 and 50 rooms (Section 6.2.2). This means that majority of the chalets firm had a capacity of 50 rooms or less. Obviously, less than 25 units' chalet size is small in line with the literature; however the chalets that have between 25 and 50 units interviewed are also considered to be small size. Then, in this case, only a few chalets will be in a different category such as medium or large size chalet firms that is having more than 50 rooms. Therefore, it is considered appropriate to categorise chalet firms including that have more than 50 units in one category that is small firm.

The small firms had a small work force (Section 3.3.3). Similarly, more than half of the small chalet firms in Malaysia employed 5 people or less, however, the entire chalet firms interviewed had less than 25 employees. This total number of employees is only a half of the maximum of 49 employees stated in the DTI/EU's and the Ministry of International Trade and Industry's small firm definitions (Section 3.2.1). Therefore, it is appropriate to categorise the chalet firms as small. The findings indicate that the usage of number of rooms or employees as a single base did not accurately represent the size of chalet firms in Malaysia.

Most of the chalet firms interviewed were owner-managed (Section 6.2.1). In the case of the chalet managed by the appointed manager, it seemed to be managed in a personalised way and there was no evidence to indicate that the chalet firm was managed through a formalised management structure. Therefore, it is considered appropriate to say that the chalet firms are managed in a personalised manner and not through the medium of a formalised management structure. This finding fits into the grounded definition (Section 3.2.2). Thus, it supports the usage of a grounded definition approach and the combination of multiple principles in the 'good-practice principle' suggested by literature (Section 3.2.1). However, taking into account the consideration that the chalet firms were small, the comparison of the facilities and services is withdrawn in order to more accurately reflect the sector. The modified definition is as follows:

'A small chalet is financed by an individual(s) or a small group, directly managed by the owner(s) or appointed manager in a personalised manner and not through the medium of a formalised management structure.'

The sector size comparison is removed from the proposed working definition (Section 3.2.2) because the chalet firm is being considered as small in category and the comparison is no longer considered applicable. Therefore, based on the discussions and

modified definition, it is suggested that the small chalet should now be referred to as a 'chalet' in the following sections and the remainder of the thesis.

7.2.2 Background of the chalet firms

Small-scale accommodation is considered an appropriate form of development on islands such as Bali, Ko Samui and Phuket (Section 2.8). Small accommodation firms operate at a low overhead cost, employing a high number of family members (Section 3.3). Similarly, this research found that every two of three chalet firms in the east coast of Malaysia are located on the islands that are Pulau Tioman and Pulau Perhentian. In fact, the total number of chalets firms operating during the fieldwork on the islands of Pulau Tioman were 32 firms and Pulau Perhentian were 40 firms, while on the coast of Cherating were 14 firms and only 7 firms in Marang. The finding is also consistent with the other small firms in Malaysia and as well as small tourism firms from other countries like Crete, Australia, and Thailand (Section 3.3.3), in where most of the chalet firms employed up to 10 family members. The high amount of family labour is due to the fact that chalet firms are mostly family owned and managed, that is by the owners or by managers that are related to the owners. Furthermore, the chalets firms on the islands were located far away from the labour market, which was concentrated in the mainland of the peninsula. The limited entertainment, shopping and other facilities available on the islands and the 'island life' it self were unable to attract manpower from the mainland. As for in Cherating, the monetary reward offered by the chalet firms was considered much lower than manufacturing sector at the nearby city,

Kuantan. It was understood that youngsters from the same villages where the chalet firms were operating reluctant to work in this sector because of no career path in the firm. Therefore, the chalet firms had to rely on the family members and relatives for the work force. In some cases, family members had given no choice by parents or senior family members when they were called up to help in the family chalet firm, for example the cases of Mr. Salim in Pulau Perhentian and Madam Rose in Cherating (Section 6.3). Furthermore, in the hierarchical Malay ethnic culture children or junior members of the family had to respect and obey orders from parents or senior members (Section 3.6). The Malays believed that parents or senior members of the family were wiser and confidence the planning made for them was for their better future. Moreover, from the religious viewpoint, a Muslim must obey their parents and it considered a sin for against their order.

7.2.3 Motivation to set up a chalet firm

The start-up motivations for small tourism and hospitality firms represented both economic and non-economic motives (Section 3.3.1). The economic motives suggested were freedom of being one's own boss, a business opportunity and as an investment, while the non-economic motives were maintaining the lifestyle, availability of space and time, enjoying the business of tourism and meeting people and planning for retirement (Section 3.3.1). The representation of the start-up motives in the chalet sector is consistent with the literature. However, starting up a chalet firm in Malaysia is

dominated more by economic motives than by non-economic motives. Table 7.1 illustrates the themes related to economic and non-economic motives.

Table 7.1: Start up motivations

Non-economic motives	Economic motives
Lifestyle	Business opportunity
➤ Retirement plan	Desire to be own boss
➤ Consumption of extra space	Wanted more income than present job
➤ Enjoy tourism business	
Culture	
➤ Helping family	
➤ Stay together	
Owner-managers	Owner-managers
➤ Outsider	➤ Local

The owners that were originally from outside noted the non-economic motive of maintaining the lifestyle (Table 7.1). Similar to the literature, the lifestyle motives found are planning for retirement, availability of extra space and enjoying the business of tourism (Section 6.3). Presumably the outsider owner-managers had experienced some kind of lifestyle they enjoyed and felt comfortable with elsewhere before deciding to select a particular geographical location for maintaining the chosen lifestyle.

Furthermore, they were considered having manageable financial plan in financing the building and constructing of the chalets that may be from other source particularly from previous business or employment rather than the income from the current sale of chalet rooms. Therefore, earning from the sales of chalet rooms was to use for maintenance of

the chalet firm and owner-managers life style. However, the non-economic motive was also influenced by culture force. This can be seen in the case of joint the business because of had been asked to help the family or stay together with the family. It was considered sacrifice of other job and life to answer to the family call as part of the Malay culture as shown in the cases of Mr. Bahar and Madam Rose (Section 6.3).

In contrast, most of the local chalet firm owners started the firm solely for economic motives (Table 7.1). Similar to the literature, the economic motives for start-up of chalet firms are: business opportunities arising from the demand for the sector; wanting a higher income than their present jobs; desire to be your own boss; and investing in a family asset (Section 6.3). The local owner-managers had not achieved a lifestyle, which they were comfortable with as yet; therefore maintaining a certain lifestyle was not relevant to them. In fact they were working to improve their economic status; from farmers and fishermen to capitalise and reap the tourism dollars, therefore the economic motives became the main motivation to start up a chalet firm. For example, Mr. Rahman found that chalet accommodation business offered good returns as he witnessed the advanced of other owner-managers businesses and even outsiders were also interested to venture in this business (Section 6.3). It was appropriate to consider the start-up motivations for chalet firms were more economic than non-economic, particularly for the local owner-managers.

7.2.4 Source of start-up capital

The usage of personal funds is seen as the main source of initial capital by small tourism and hospitality firms (Section 3.3.4). In the case of shortage of personal funding, the help for top up funding may come from the network of family members (Section 3.3.4). Personal fund was also the main source for start-up capital for chalet firms, which was similar pattern with others small firms in general in Malaysia (Section 6.4; Whah, 2003). There was also evidence of help for funding coming from the network of family members (Section 6.4). However, a significant finding is that eight owner-managers started their chalet firms with help from a special scheme administered by a development agency, MARA (Section 3.3). In this scheme, landowners at the tourist destinations were offered start-up fund to build chalets. A chalets built by the contracted builder by MARA for the landowner is equivalent to a sum of RM20,000 loan. The number of chalets built was depending the land size offered by the owner as collateral. The MARA special scheme was introduced in the late 1980s and administrated until early 1990s to assist the Malays to participate in tourism business. However, the financial assistance provided MARA is still available in form of regular loan for setting up small firm in various sectors (Abdullah, 1999). Even though it was difficult for small firm in Malaysia to borrow from formal moneylenders as mentioned by Whah (2003) and some of owner-managers (Section 6.4), there was a significant number (5) had obtained formal loan for firm start-up. It was understood that three of them actually were managed to borrow from government agencies that were MARA and Bank Pertanian Malaysia, and the other two from commercial banks. However, the

applications for the formal loan were submitted in the late 1990s and early 2000s. The consideration and process of approval was with greater chance because of the business of small firm in tourism was already accepted as one of growing and promising sectors in Malaysia.

7.2.5 Chalet firm in the early years of business

Being small and a new firm it was not just difficult to convince the bank to get the financial assistance as suggested by literature (Section 3.3.4), but it was also difficult to service the financial burden on the borrowing. To overcome this financial constraint, chalet owner-managers took a step-by-step approach, which began with a small capacity of a few units of chalets. Then they gradually expanded by adding a unit or two chalet units each year, or whenever they had enough money to do so (Section 6.5). The funds came from the previous year's sales, not from borrowing. Therefore, it was considered to be sensible for a small and new firm to start small and expand later when possible.

Small accommodation firms were less likely to have a marketing plan, and to use travel brochures, destination brochures, word-of-mouth, visitor information centres and travel guidebooks as marketing tools (Section 3.4). This research found that marketing is a common problem among the chalet firms whether located on the coast or island, and most of the firms did not do the marketing for their chalets. To the owner-managers, marketing of chalets in tourism destinations was not their job but the responsibility of the government. According to them, the government departments like the State

Government and the Ministry of Tourism should carry out the marketing functions and efforts. In fact the owner-managers admitted that they did not know how to perform the marketing function (Section 6.4). However, there was evidence of using brochures as a marketing tool by two owner-managers but they mostly depended on free advertising, supported by the literature, that are word-of-mouth and travel guidebooks, particularly the 'Lonely Planet' (Section 6.4). This travel guidebook was considered one of the best marketing tools for chalet owner-managers to reach the international visitor market, particularly budget tourists, who were also the target market for chalet accommodation.

Owner-managers at Pulau Tioman and Pulau Perhentian faced the same type of problems: the transportation of passengers and raw material from the mainland, supplies of raw materials, and the absence of a basic infrastructure (Section 6.4). These problems mostly concerned the early owner-managers in the sector but had eased to a great extent nowadays through networking arrangements with boat operators and the suppliers from the mainland (Section 6.5). The owner-managers from outside of the village faced the challenge of not being welcomed by the local community the way local owner-managers were (Section 6.4). In the late 1980s and early 1990s, local people in the villages saw culture brought in by the foreign tourists had influenced on the local people. At that time the tourists mostly hippies were blamed on their lifestyle, costume, beer and alcohol drinking that were against the local culture particularly the Malays. Therefore, anyone associated with bringing tourists in was considered importing the bad culture into the villages. However, the perception was changed

overtime when the villages were more open to received tourists, and the type of tourist arrived was also had changed that was with acceptable lifestyle. The local owner-managers were not welcoming outsiders to operate business in the village, because the outsiders did not belong there. As a collectivistic, the Malays were concerned about the people in their group, so they wanted to make sure that the group was safe and survived. However, the Malays were relationship-oriented people (Section 3.5). This means overtime, if the outsiders made efforts to get closer to locals, to understand them and show that they wanted to be belong to the group, they will be welcomed sooner or later. The key solutions to this problem were just being enthusiastic and kind to the locals, and a proactive step was to offer services and help to the local community (Section 6.5).

7.3 Characteristics of chalet owner-managers

Small firms in tourism and hospitality were mostly female owned-managed (Section 3.3.5). In contrast, this research found more male owner-managers in the chalet sector, which is similar to the general sectors (Section 6.2.3). The influence of the culture that considered the man as the family decision maker contributes to the higher number of men named as owner-managers in Malaysia. However, this does not mean that men do all the jobs in the business, it maybe that the women are the backbone of the firm (Section 6.3). In the hierarchical culture society, the Malays agreed to lay the power onto the hand of those in the senior position (Section 3.6). In this society, senior position can be referred to the father, eldest, or the head of the family or the group, and

that were men. Furthermore, it had become a custom of the Malays that ownership of family property was name after the head of the family and more likely was man.

Therefore, culture is also considered one of the factors that influenced the high number of men named as the owner-managers of the chalet firms.

Most of the chalet owner-managers in Malaysia were young, between 30 and 45 years of age, were still new in the business, which started less than 10 years ago, were married and had moderately large families, with more than half having at least three children (Sections 6.2.1 and 6.2.2). Although the business of chalet accommodation took off more than thirty-years ago, most of the owner-managers were young and new in the business. This may be caused by the number of chalet firms the late 1980s and early 1990s was small, and the number of chalet firms was sprung up in the last ten years. Another reason may be the many of the chalet firms started their operation between twenty to thirty years ago were no longer in the business as found by the researcher during the fieldwork (Section 6.2.2). The size of the owner-manager's family may contribute to the size of the family workforce for the chalet firms, especially for the older owner-managers who have older children. It appeared that more than half of the chalet owner-managers attended secondary school education, only a few had gone to college, but some went up to primary school, especially the older owner-managers. This finding indicates that chalet owner-managers in the research area left formal education earlier to start their own firm or to work and manage family firms and may contribute to the young age of owner-managers.

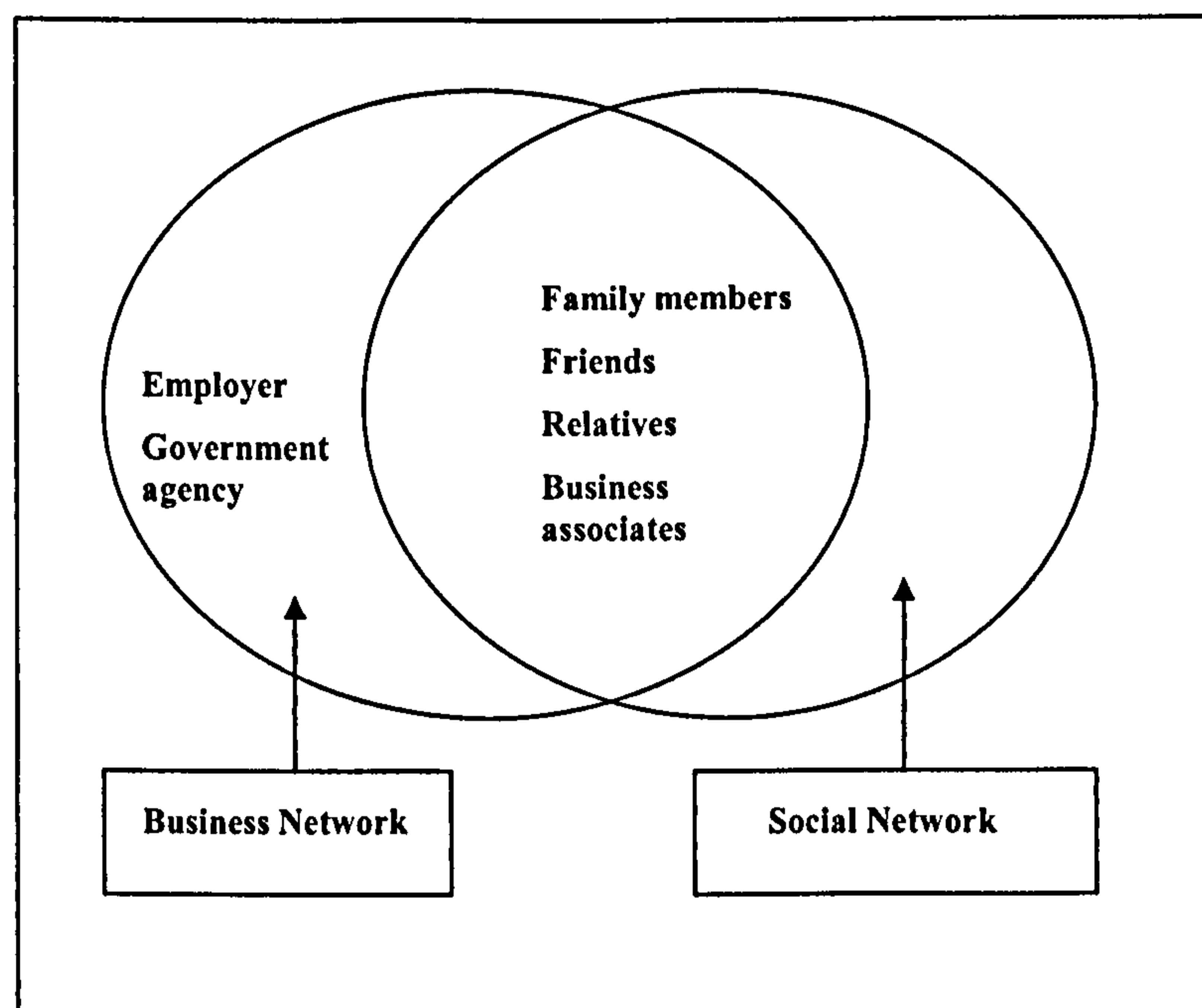
Small firms' owner-managers came into this sector with various type of experience from their previous occupations, such as agriculture, farming, teaching and building (Section 3.3.5). In order to gain the knowledge and necessary skills, small firm owner-managers attended formal courses related to this sector after starting-up the business (Section 3.3.5). Similar to the literature, the significant and common previous job was in agriculture (fishermen and farmer); however, one of every five owner-managers had some previous experience in family businesses, which also included the chalet sector (Section 6.2.1). The high number of fishermen and farmers entering this sector is due to the rural location, and it was understood that the main jobs available in rural areas are in the agriculture sector. In order to gain necessary knowledge and skills, over one-third attended entrepreneurship courses just after starting up the firm. However, attending the courses was not voluntary or not necessarily because they wanted to but because it was a condition of receiving funds. The basic entrepreneurial course was compulsory for the new owner-managers that received the Government start-up assistance. The entrepreneurship course was a crash course providing basic knowledge in business management and an introduction to the tourism industry. The other industry related courses attended were front desk, restaurant, and tourism. It was understood that the MOCAT and State Tourism Boards conducted short seminars in various aspects of the business for chalet owner-managers from time to time. However, there are many owner-managers who have not received any kind of formal training at all. Therefore, this group of owner-managers were also needed the training and courses as many of

them were not having experience or knowledge related to business management and entrepreneurship.

7.4 Chalet owner-managers' network features

Similar to the small firm literature (Section 4.6), this research found that the networks of chalet owner-managers were also developed around the associations of family members, friends, relatives and business associates. The same groups of people appeared in both of the owner-managers' business and social networks (Sections 6.6.2 and 6.6.3). Figure 7.1 illustrates the composition of owner-managers' networks.

Figure 7.1: Network Compositions



However, there was a difference in terms of the ranking in the network composition of the business and social network contacts. The contacts in owner-managers' business networks were mostly family members, followed by relatives and friends whereas, more than half of the social network contacts of chalet owner-managers were friends, followed by family members and relatives. Furthermore, the network contacts of the owner-managers came from the same ethnic as the owner-manager, who was Malay. This situation happens because the communities who reside in the rural areas are mostly Malays, particularly at the research destinations. Obviously, their relatives were Malays as well as their friends who were in the same community. Moreover, in this collectivistic, the sense of togetherness and oneness is important. This leads an owner-manager to have a strong association with his/her cohesive group that are the family and extended family members. Table 7.2 exhibits the comparison of the race and gender of the business and social network contacts.

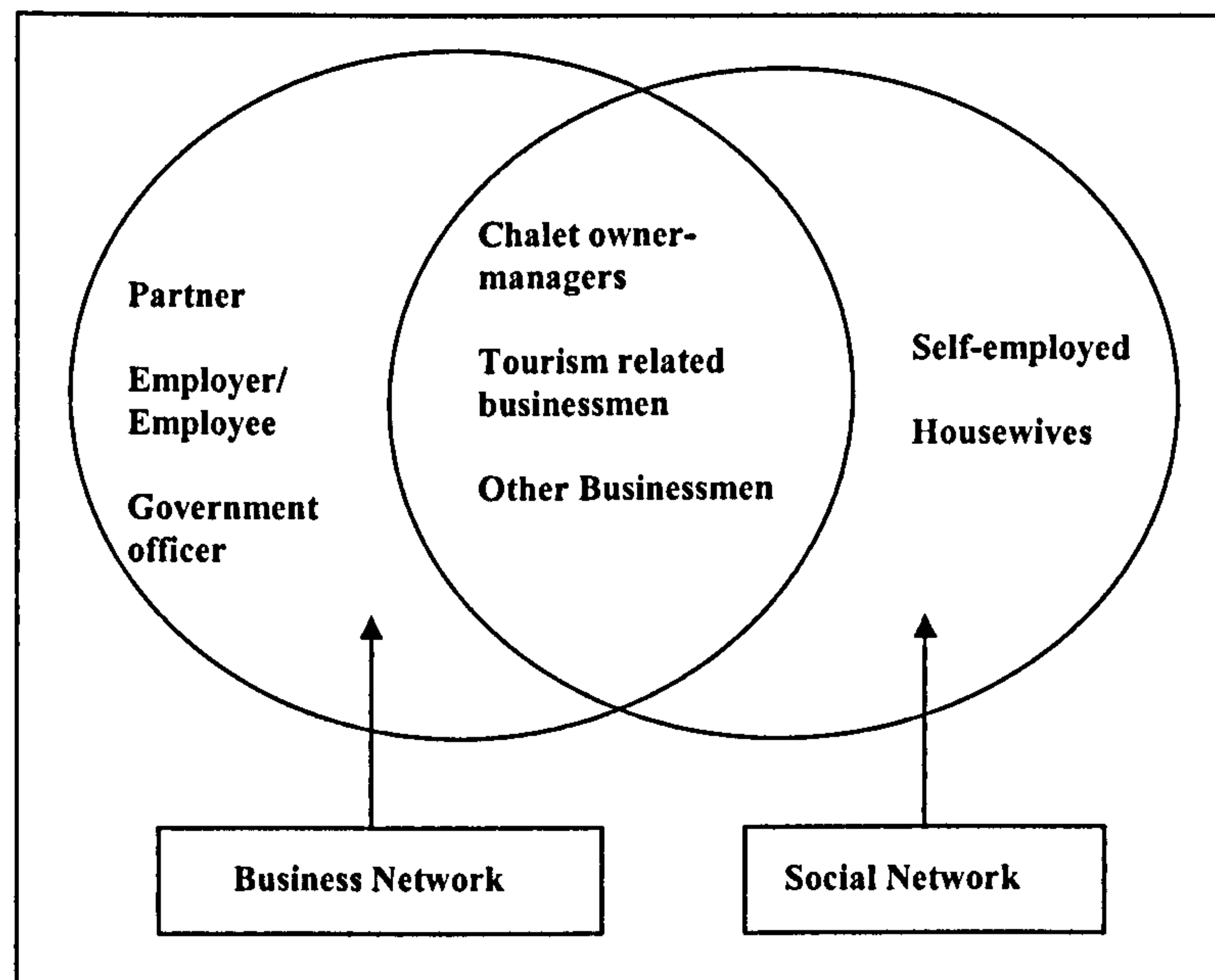
Table 7.2: The race and gender of the networks contacts

Features	Business network		Social network	
Ethnic	Malay		Malay	
Gender	Male		Male	
	Owner manager – Contacts		Owner manager – Contacts	
	Male	- Male	Male	- Male
	Female	- Male	Female	- Female

The networks contacts in chalet firm networks were male dominated. This finding was influenced by the higher number of men interviewed and also by the local culture. The high number of the male owner-managers was discussed in Section 7.3. It is not to repeat but to emphasis that in the Malay community, men are dominate and appeared to have more privileges than women. The evidence of this situation can be seen in the business network, where both male and female owner-managers have more men in their business contacts (Table 7.3). However, in the social network, owner-managers preferred contacts from the same gender with females having more female contacts and men having more men contacts in their social networks (Table 7.3). Presumably, the female owner-managers might find it more comfortable to do things or discuss things with female social contacts, especially matters regarding women and this applies in the same way to men and their male contacts.

The network contacts of owner-managers appeared to be the individuals related to tourism businesses. They were other chalet owner-managers and other people who were related to the chalet firms (Section 6.6.2 and Section 6.6.3). Figure 7.2 shows the diversity of the owner-managers networks contacts.

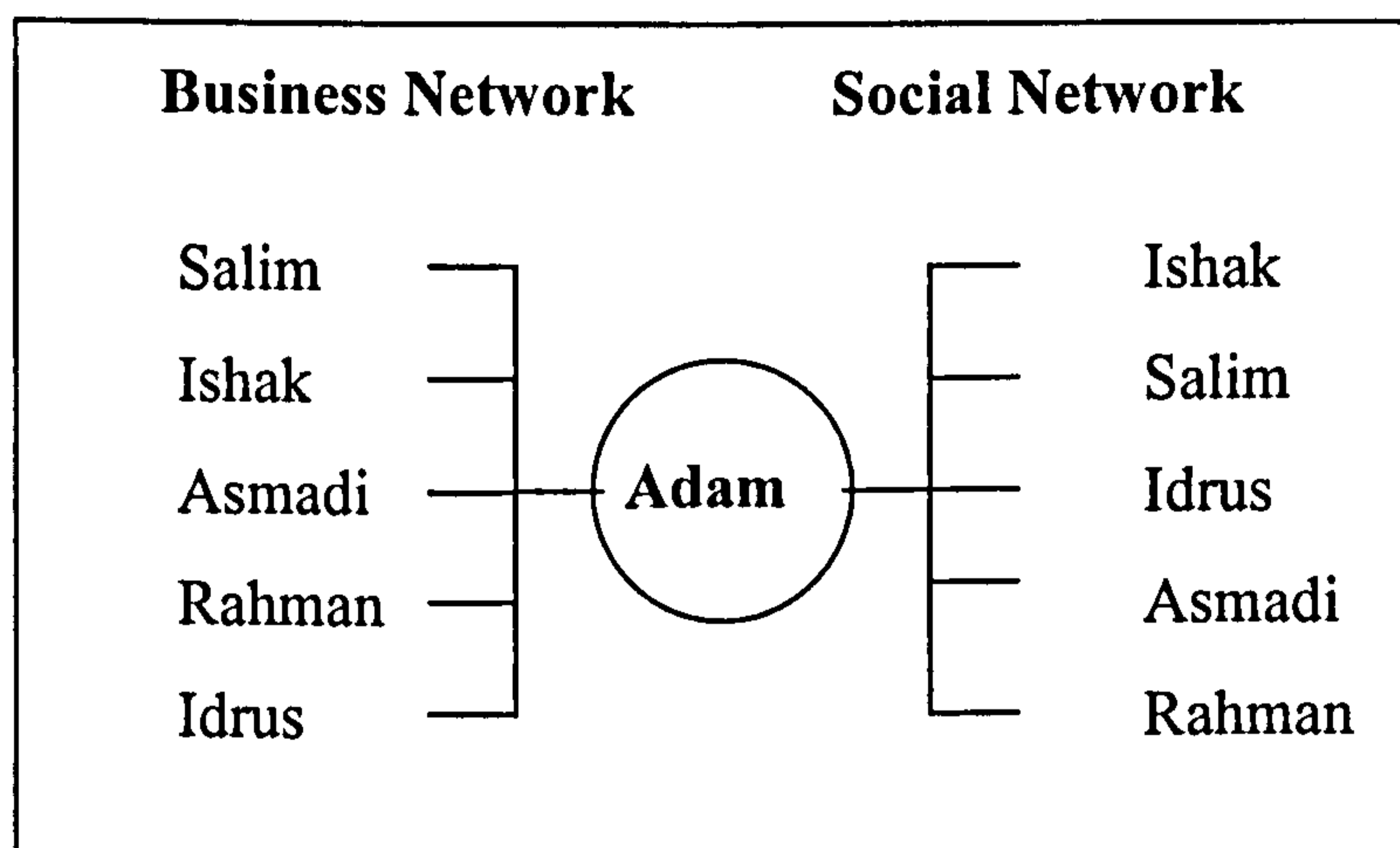
Figure 7.2: The diversity of networks contacts



The occupational background of the owner-managers' business and social networks were almost identical (Figure 7.2). It appeared that they discussed business matters and social issues with the same circle of people, who were other chalet owner-managers and business people, regardless of whether or not they were related to the tourism industry. The other groups of people in their business network were their partners and employees. Housewives and self-employed groups appeared only in the social network. However, the order of the importance of the network contacts was different in each of the networks. In the business network, the partner and employees were the most important groups of people to the owner-managers. The fact is that the owner-manager communicated and interacted with his/her partner and employees more than with other

people in their business operations. Other chalet owner-managers were also important as they were ranked third in business network contacts because they were directly related to the business. The other business people, and government officers were also included in the owner-managers' business network. From the findings, it can be observed that the occupational background of the business network contacts should consist of business related people. For social matters, owner-managers associate with their friends who are other chalet owner-managers, other business people, whether tourism related or not, and other people in a variety of backgrounds like the self-employed and housewives. This indicates that owner-managers socialise with the social network contacts that are also the same circle as their business network contacts. It may also indicate that owner-managers considered having a business relationship with their social network contacts. Consequently, it may be concluded that the chalet business networks' contacts are also the people in the social networks. For example, the network contacts named by Mr. Adam an owner-manager in Pulau Perhentian is shown in Figure 7.3. His business network contacts and social network contacts consisted the same exactly the same people. All of the contacts were family members that were his brothers. One of the brother, Asmadi was helping him at the his chalet firm, while Rahman was managing his own chalet firm at the nearby village, and Salim was with the Agriculture Department and the other two at the nearby town on the mainland. Other owner-manager networks particularly on the island were similar with Mr. Adam's networks or at least three of the people named in the contact appeared in both business and social networks.

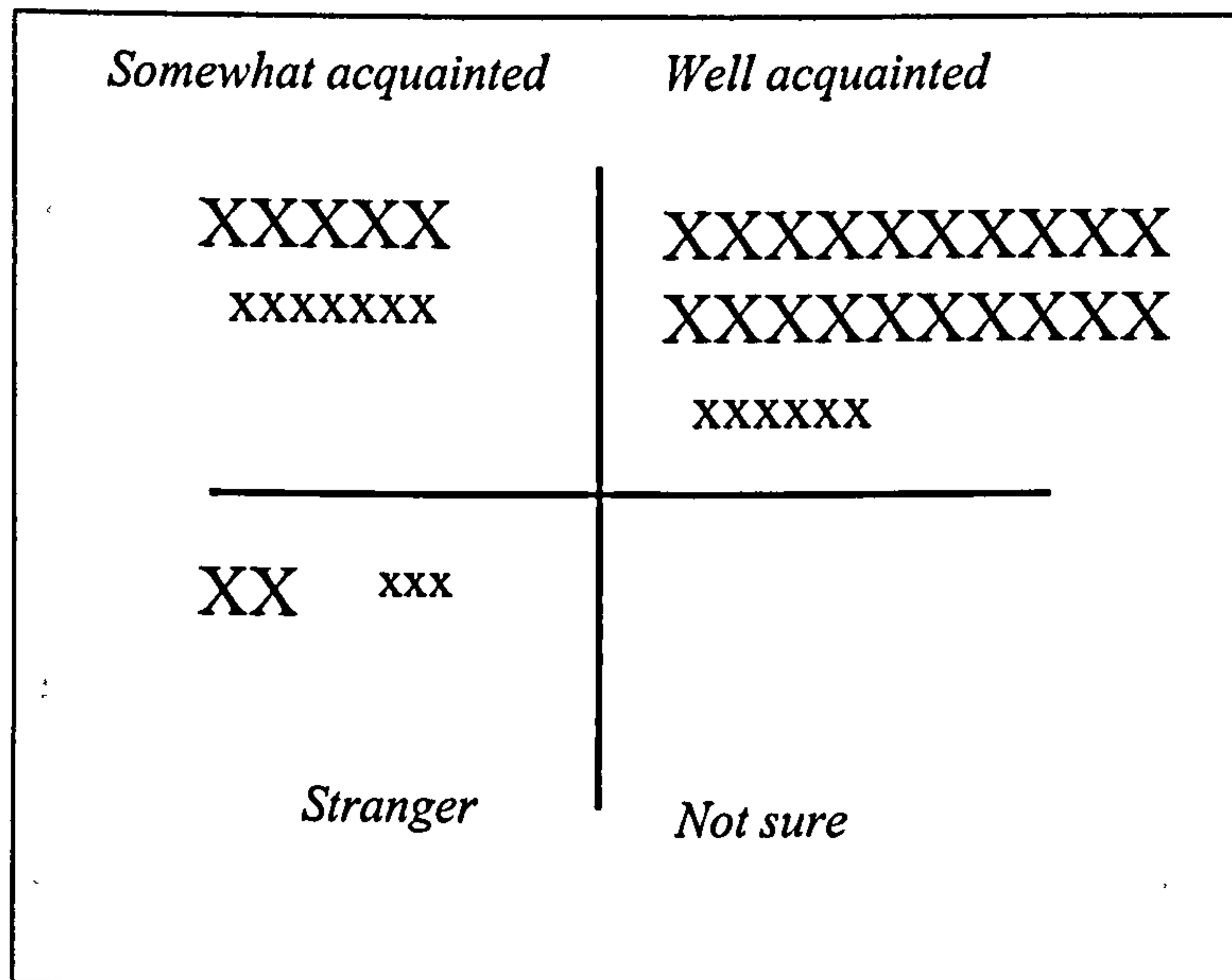
Figure 7.3: Mr. Adam's networks contacts



Furthermore, the Malays society was a relationship- oriented culture (Section 3.6), so an owner-manager was attached to whatever happened surrounding him/her. It had become a necessity to build relationships with the surrounding people. Therefore, it is appropriate to conclude that the boundary separating the owner-managers' business network and social network contacts is blurred.

The density of a small firm's social network is most likely to appear to be 'tight' knit, so that every person in the network is directly connected to each other. Almost everyone in the social network contacts of chalet owner-managers knows each other. In fact nearly three quarters of the contacts were well acquainted, and only a few were strangers, who did not know other contacts. Figure 7.4 illustrates the density of owner-managers' network.

Figure 7.4: Network density



In this type of density, news and information travel fast from an owner-manager to other because they were well acquainted and had direct access to each other. However, this may be influenced by the sampling techniques employed (Section 5.6). Other factors may be because of the features of the network that were consisted of family, friends and relatives whose they more likely knew most of the people in the networks.

7.5 Chalet owner-managers' network content

Small firms appeared to have formal and informal relationships with the network contacts (Section 4.6.3). The formal relationships are such as joint ventures, buyer-

seller agreements, marketing consortia, and trade and business associations or organisations, while the informal relationships the ties with family, friends and business associates (Sections 4.6.3 and 4.7). The findings show that the chalet owner-managers did not have strong relationships with formal networks, but strong ones with the informal networks (Section 6.6). The significant formal type of networks that the chalet owner-managers joined were tourist related associations and political organisations (Figure 7.5)

Figure 7.5: The contents of the network

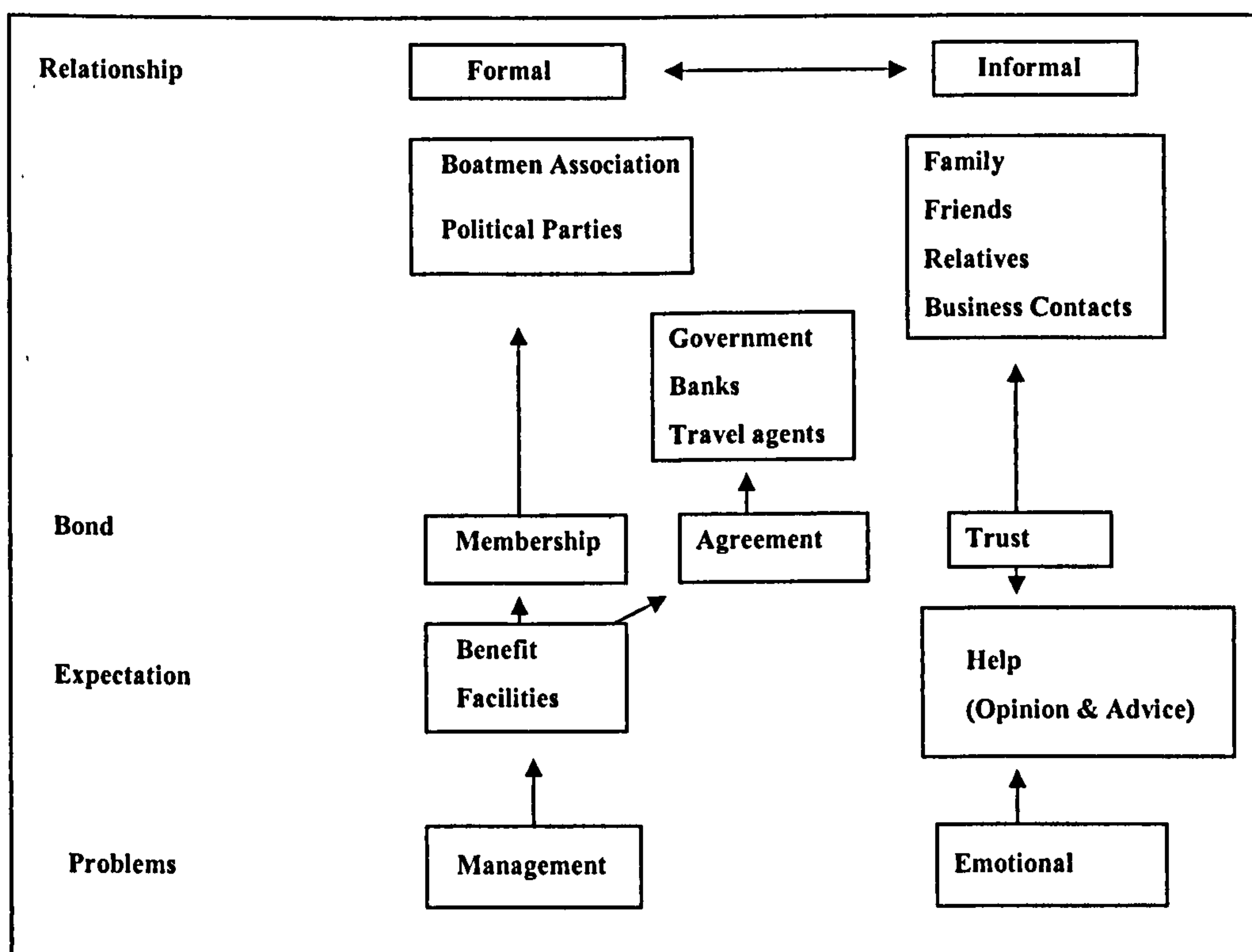


Figure 7.5 shows the content of the network relationships, bonds, expectations and problems. The tourist related association was the '*Persatuan Pemandu Bot Pulau Tioman*' (Pulau Tioman Boatmen Association). It was understood that this boatmen's association unofficially represented tourist related businesses in Pulau Tioman. Tourism industry related information from the State Tourism Board and other government agencies was channelled through this association. Chalet owner-managers were members of one of the major political parties (2.2.2). Since the owner-managers were Malays, most likely they were either members of the UMNO or PAS party (Section 2.2.2). However, they were not asked to specify the name of the political party of which they were member. Being a member of a political party is considered important, particularly of the ruling party. Undoubtedly, it is understood that the members of the ruling party have the advantage in access to certain assistance. This finding shows that the practice of successful companies in the Southeast Asia that was important of having strong relationship with the public sector, the government official and the politicians (Section 4.5). Furthermore, in Malaysia culturally, managers or any one who was holding positions particularly in the public sector, the government officials were expected to spend time on building relationships (Section 3.6). The informal networking relationships were with family members, friends and relatives (Section 6.6).

Trust appeared to be the foundation of networks relationships in the East; for example the Chinese family networks, which are informal network relationships, and this trust

has a reciprocal value (Section 4.6.4). The finding of this research was also in line with the literature in that the informal network relationships with family relatives and close friends were based on trust. Furthermore, trust became the major deciding factor in engaging in network relationships. In fact, it was a vital deciding factor for networking, as it became the first requisite (Section 6.7.3). Trust in the chalet owner-managers' network relationships had a reciprocal value; for example, a trusted member of the staff of a firm imparts a value of trust to that whole firm (Section 6.7.3). Furthermore, the reciprocal value can be extended to the third party as a personal reference and some times it may represent a form of personal guarantee (Section 6.7.3). Trust was attached to family related commitment with family members and relatives; whereas with friends, trust was built through friendships, which developed through the years of a reliable relationship (Section 6.7.3).

The owner-managers also had informal relationships with other parties such as government agencies, business associates, banks, suppliers, customers, and their employer/employees. The relationships with the government agencies and banks may be more formal than other types of informal relationships because of the existence of a formal agreement. However, the networking contacts with banks were minimal, only related to the terms of agreement, which normally regard a loan application and repayment. Instead, the networking contacts with other informal parties like family, relatives, friends, and employer/employees were more frequent and had diverse aspects. Therefore, it is appropriate to consider that the networking relationships of chalet

owner-managers were more likely to be informal and based on trust. The relationship features of chalet owner-managers' networking appeared to be similar to the Chinese family business networks (Section 4.6).

Network contacts expected that the networks could provide and support the exchange of resources, goods and services, and information among the members of the networks (Section 4.5.5). Similarly, the chalet owner-managers expected that the facilities and support they needed would be available within the networks (Figure 7.5). They expected to receive facilities and benefits from membership of formal networks or associations, such as the *Pulau Tioman Boatmen Association* and expected support, advice, ideas and help from the informal networks of family, relatives and friends (Section 6.7.2). The support and advice from the networks were considered as a responsibility of a member toward other members of family or group as was required by the collectivistic Malay culture (Section 3.6). Even though chalet owner-managers expected the networks to contain the facilities and benefits they wanted, there were, however, problems anticipated within the networks. Not many owner-managers were willing to voice out the problem they faced with the network contacts. This was due to the practice of the Malays society to maintain harmony relationship and save face, meaning to avoid conflict particularly with the senior members in position or age (Section 3.6). Therefore, mostly of the owner-managers were reserved and kept the sour relationship with other contacts to themselves. The problem faced in the formal networks that revealed by some of the owner-managers was with the management of the

relationships (Section 6.10). For example, some owner-managers had complained about the mismanagement of the boatmen's association by the management committee members. In facing this problem, an owner-manager usually brought out the matter in the association meeting in a polite so it would not anyone's feeling. Then, if there was no changes or improvement made regarding the complaint, the owner-manager who voiced out the issue will keep quiet or will not proceed again for the second time. Again, this practice was influenced by the Malays culture that promoting the concept of conflict avoiding and safe face. Another example of the management problem with the formal networks was the misbehaviour of a marketing agent, when the agent misled tourists during sales transactions about the facilities and services available at the chalets (Section 6.10). In this case, an owner-manager walked out from the relationships when they felt the network contacts were not longer trusted. However, the withdrawal from the network relationships was done quietly without conflict or confrontation. A network contact only noticed the break up when the other party started to distance him/her self, and was excluded from networking meeting. The only problem faced in the informal network, as revealed by an owner-manager, was related to emotional experiences (Section 6.10). This happened in the informal networks with the strong emotional ties particularly between family members. Sometimes it is very difficult to satisfy all the members, so someone has to sacrifice or absorb the hurt in order to maintain the harmony of the relationship as required by the society.

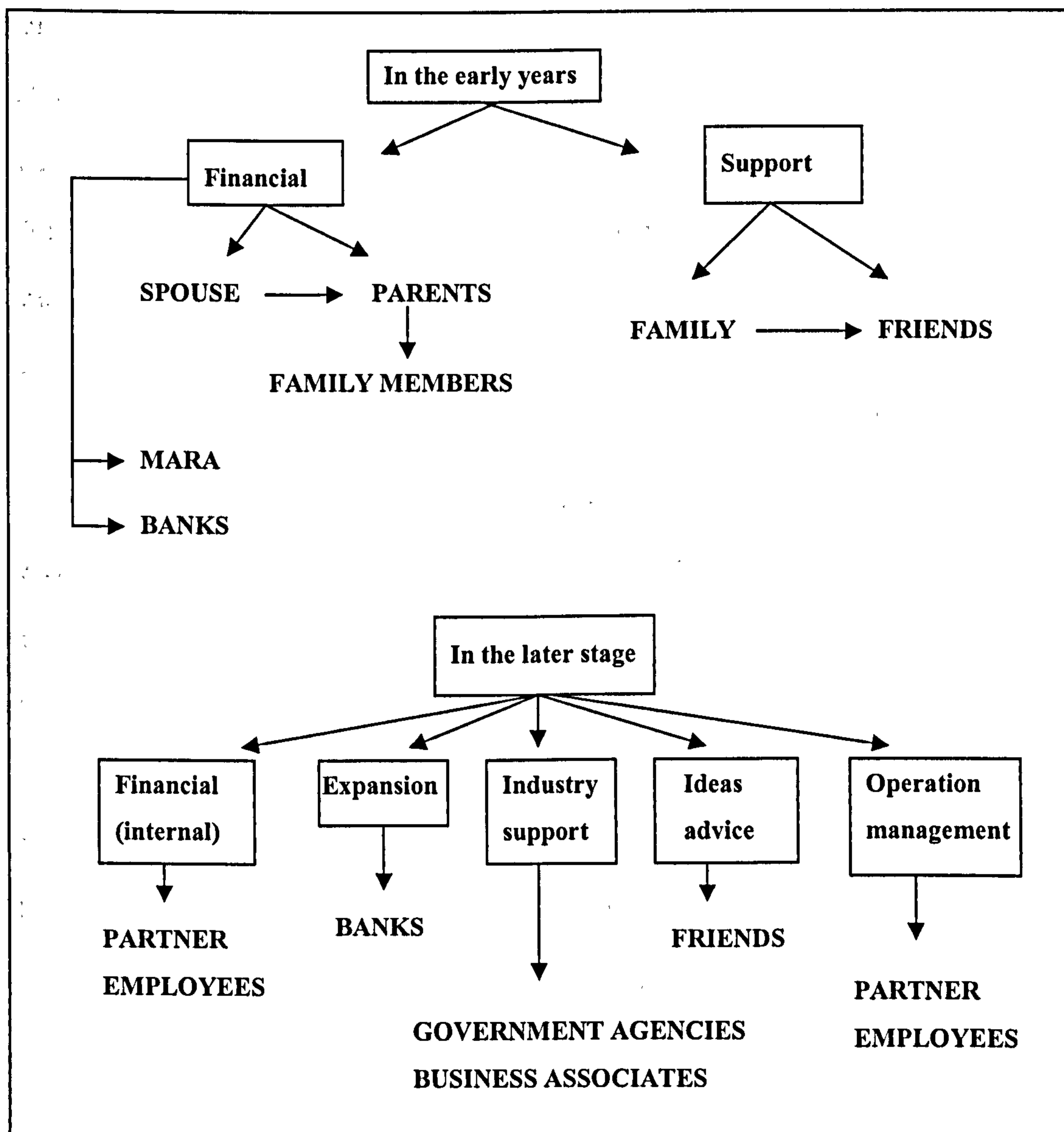
7.6 The utilisation of the networks

A small firm relies on the strong ties of the network contacts of family and close friends in the early years of a firm. The contacts then include the weaker ties of professionals like lawyers and accountants as the business develops at a later stage (Sections 4.6.2 and 4.6.3). There was evidence that indicated that the chalet owner-managers obtained support and help from the networks of family, friends, government development agencies, and banks during the early years of business (Section 6.6.1). Figure 7.6 illustrates the utilisation of the network.

Usually, the family came first. That is that the spouse was the first person to be sought out for help, then the parents, and next the siblings (Section 6.6.1). However, the source of help and support networks depended on the problems faced. For example, the owner-managers will ask for help from family members for financial problems, particularly for start-up capital. This finding is consistent with literature (Section 3.3.4) that shows owner-managers turned to family and friends for financial top-up, but the friends are not included in this case. The owner-managers turn to family for financial support not just because of the strong ties with them but also because they could not get help from other sources. For instance, assistance from the Government and borrowing facilities were not available because the future of the chalet business was unclear in the early years of the development of the chalet accommodation sector (Section 6.6.1). The owner-managers sought help from a network of friends for advice and support, particularly the outsider owner-managers who have no family members around, and for

owner-managers who are the only ones in their family to be involved in the chalet business. Figure 7.6 illustrates the utilisation of the network.

Figure 7.6: The utilisation of the network



The owner-managers who started up chalet firms in the 1990s however, managed to obtain financial help in the early years from outside the family networks. A number of them received help from the Government's development agency, and a few obtained financial help from a bank, particularly the Government funded development bank, the Bank Pertanian (Section 6.6.1). There was evidence to show that owner-managers asked for help from beyond the strong ties of family members and friends, such as from banks, government agencies and business associates, in the later stage of business (Section 6.4.3). In the case of business expansion, particularly, an owner-manager turned to banks to finance the project. This is considered an alternative because personal and family funds may not be adequate to finance the expansion. Furthermore, borrowing from a bank is possible at this stage because the firm has business records to convince the lender and assets for collateral. Therefore, the chance of borrowing being successful is higher than in the early years of business. However, only one out of three of the owner-managers mentioned borrowing from banks for expansion. The other owner-managers have expanded the firm gradually using earnings from the business.

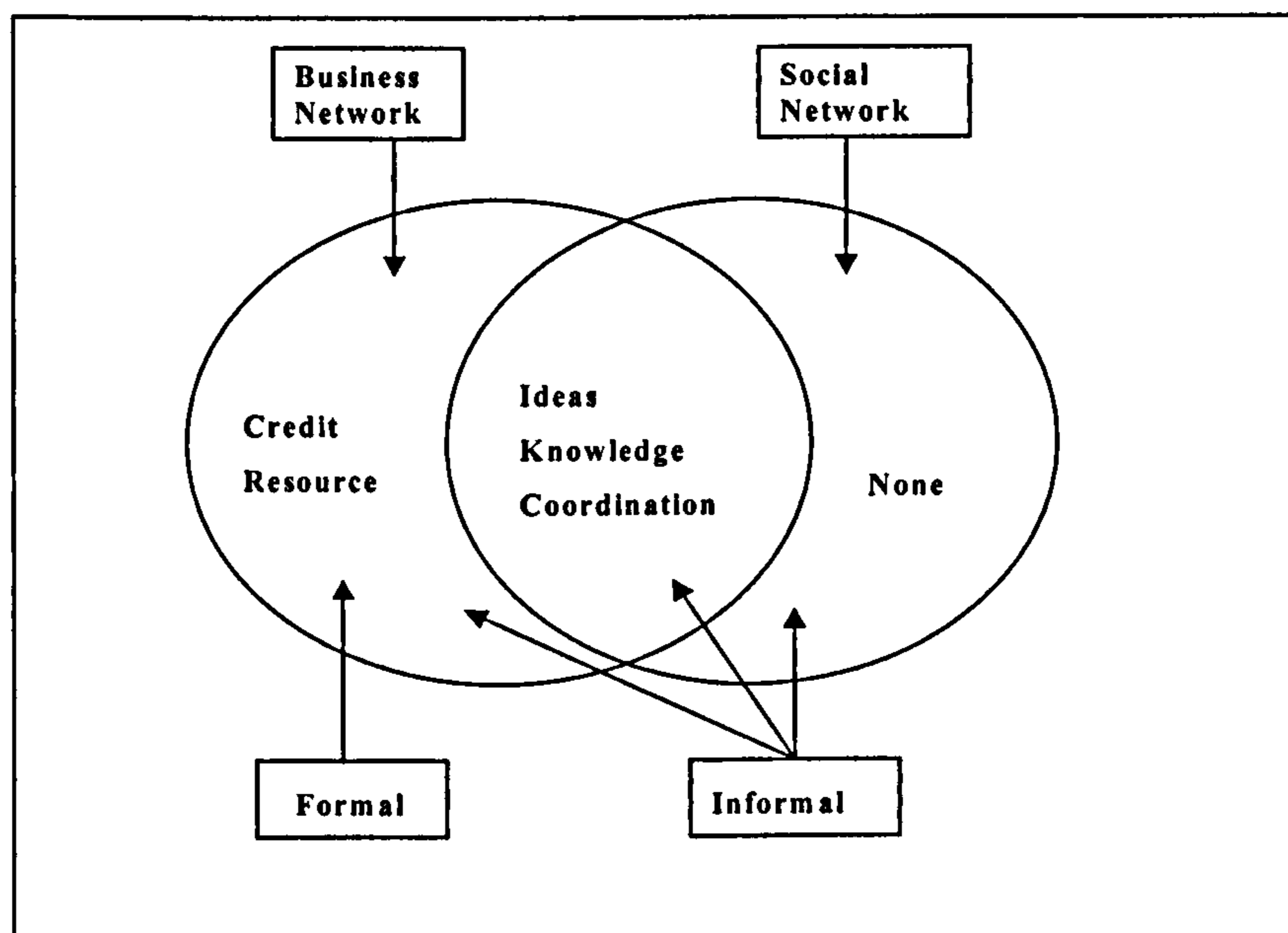
Owner-managers also utilised the network in discussions on business and social matters. However, the number of the network contacts involved in the business discussions was considered small (Section 6.2.2). The reason for this is that the size of owner-managers' networks is relatively small, consisting of the same people, regardless whether for business or social purposes (Section 7.4). The discussion mainly involved people within the firm, including the partners and employees. However, the firm's

partners and employees who took part in the discussions also happened to be the owner-manager's family members. The family members, who were also working in the chalet firms, were involved in the daily operation and management of the chalet firms. Moreover, as discussed earlier in this section, owner-managers always discussed financial aspects with the family first before taking it outside. Other aspects discussed were about ideas and advice that involved network contacts of friends, and industry matters like raw material supplies, marketing, and other facilities involved the government officers and various business people. To sum up, owner-managers highly utilised the network contacts of family members, and a network of friends, banks, government officers and business associates for business support in the later stages of the firm. These network contacts were considered to be almost the same network contacts that they asked for help from during the early years of the business. These relationships appeared to be sustainable because they built on trust that was not likely to expire. Therefore, the findings suggest that chalet owner-managers utilised the same network contacts of business and social contacts in order to get help and support throughout their business life regardless of the life stage of the firm.

7.7 Motivations and benefits of the network

Generally, the motives of firms entering the network relationships were to: gain access to foreign markets, increase market share, reduce costs and risks, gain access to know how, fast track learning, and obtain assistance and support (Section 4.3). In the tourism and hospitality industry, network motivations appeared to be a way of collaboration between firms at the destination, marketing strategies, and a tool to obtain resources, information and advice (Section 4.7). This research found that the main motives for chalet owner-managers engaging in network relationships were to learn from others and to get access to resources they needed. Owner-managers found that the interaction with other people amongst their network contacts provided more options and ways to do certain things and was often better than the plans that he/she had thought out alone (Section 6.7.1). The chalet owner-managers not only wanted to get opinions, but to learn new things and to get fresh knowledge during networking, particularly from the senior or more successful network contacts (Section 6.7.1). It has become a culture of the collectivistic society (Section 3.6) that Malaysians preferred doing things together particularly with the people from the same group whether same family, same kind of interest of same village. Malaysians expected the senior members of the group to provided guidance to junior members as they were seen as wise and knowledgeable. Figure 7.7 illustrates the owner-managers' motivations for networking.

Figure 7.7: Owner-managers' networking motivations



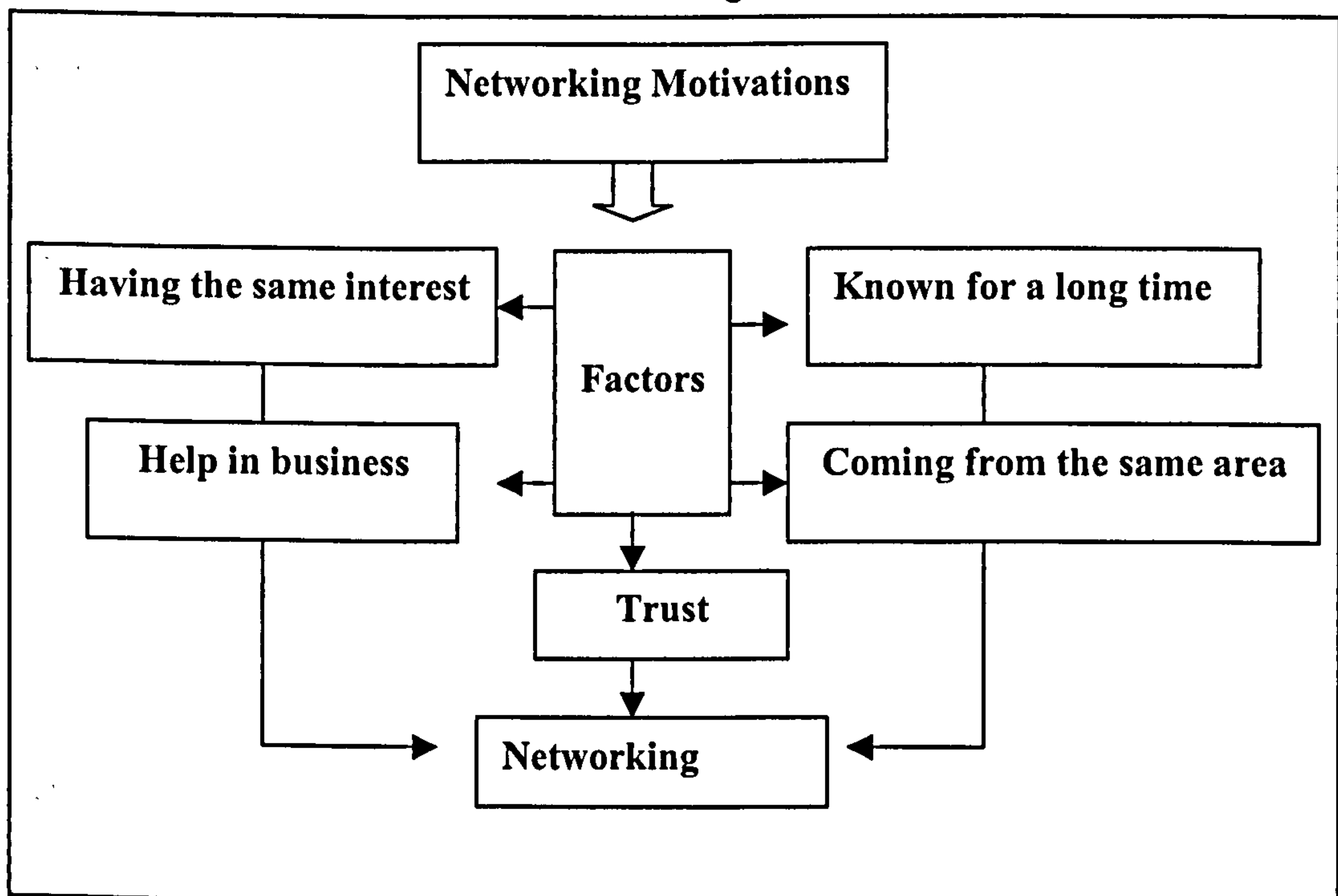
Chalet owner-managers used business networking with formal and informal network contacts to gain access to facilities, namely financial assistance and delivery.

Networking with the officers from banks and Government development agencies, particularly MARA, made the financial assistance accessible (Section 6.6.1). For the owner-managers at island locations, networking with the suppliers and schedule boat/ferry operators was useful for sourcing and delivery of supplies of raw materials.

Another reason to engage in networking relationships with the network contacts, especially those related to tourism, was to coordinate tourist activities. However, networking can also become a platform for socialising with friends without focusing on

business purposes (Section 6.7.1). There were factors that were considered by owner-managers before they engaged in networking with network contacts (Section 6.7.3). Being satisfied with these factors was important before deciding on participating in networking, especially in a social network. Since the ties of relationships in a social network are informal, which means there are no written rules to obey, the network contacts have to be carefully selected. Therefore, it is important for the contact to 'fit' into the network to ensure that the networking motivations are achievable. The research found that there were five selection criteria or factors considered by owner-managers. Figure 7.8 shows the factors considered by the owner-managers for networking.

Figure 7.8: Factors considered for networking

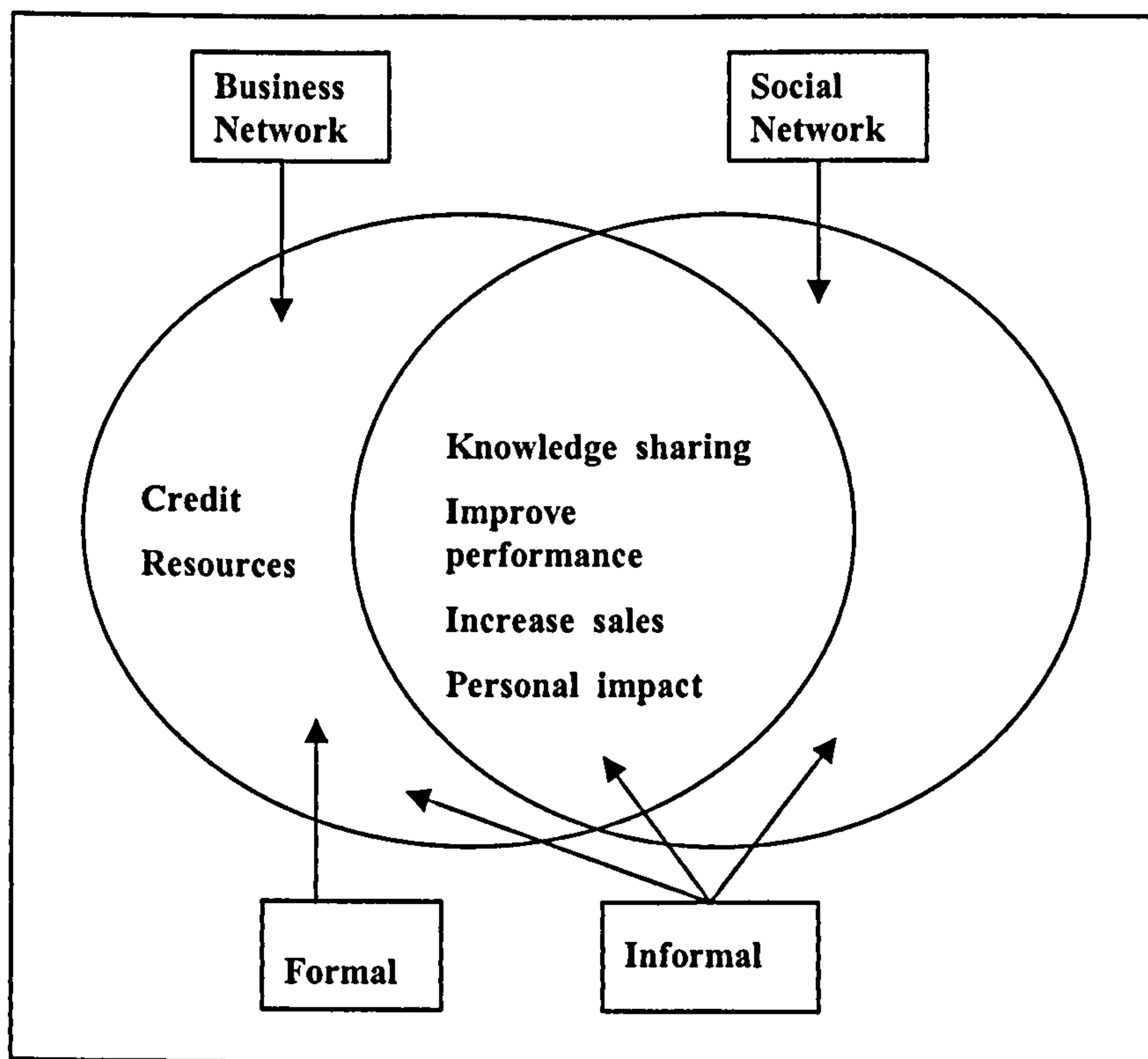


The primary factor was trust, which means that the network contact can be relied upon. Trust binds the social network, replacing the member's rules and regulations or agreements that are generally found in a formal network (Section 4.6.4). In the case of the chalet sector, the network contact was someone who they had known for a certain period of time, often the network contact was a childhood or an old friend, a local, who came from the same village or district as the owner-manager (Figure 7.8). The next factor, was that the network contact had the same kind of interest, whether in business or in a social aspect. This is important for the owner-managers to ensure they feel comfortable during interaction in the networking meetings and activities. However, the network contact should also be able to contribute in networking activities, particularly in helping the owner-managers' businesses in whatever way. These factors actually were influenced by the Malay culture that was a relationship-oriented which was attached to the surrounding and regard the importance of building relationships prior engaging in any activities particularly that related to business (Section 3.6)

The chalet owner-managers found that networking did not provide many tangible benefits for them (Section 6.7.4). The networks did not help in reducing risk and cost sharing in any tangible way. This happened because there was no evidence of cooperation in developing joint products or joint marketing initiatives as suggested by literature (Section 4.7) that involve risk and cost sharing. However, there were very few benefits in terms of access to a wider market, credit and discount facilities or an

increase in sales. Increased sales and access to a wider market resulted from networking with travel agents, particularly from the mainland in the case of owner-managers at the island locations, but not many had a relationship with the agents. The discount facility benefited from the network relationships with suppliers but the benefit was not great because the transactions were mostly in credit terms. Owner-managers from island locations pay the supplier once a month when they come to the mainland. Networking with banks and government development agencies provides credit facilities for the owner-managers. Figure 7.9 exhibits the benefits owner-managers received from the networks.

Figure 7.9: Benefits from the networks



The greatest benefit they got from the network was knowledge sharing (Section 6.7.4). It was gained through the networking with other chalet owner-managers, friends and other business people related to the sector. Furthermore, learning from others was one of the networking motivations as well as required by the Malay culture that promotes the *budaya ilmu* (knowledge culture) for continuous learning within a group (Section 4.5). Networking, however, had some impact on individual owner-managers. The impact was different from one owner-manager to another and it was related to the individual's reason for engaging in the network relationships. The positive impacts recognised by some owner-mangers were: some positive self-improvement resulting from advice from the senior and successful owner-managers; gaining experience and learning new ideas from other network contacts that seemed to be doing well in their businesses; and harmonious friendships and relationships with the network contacts.

8.8 Networking activities of small chalet owner-managers

Small firm owner-managers and other network members interact in the networking activities to utilise the potential of gaining the benefits from the network, thus they devoted substantial effort to these activities (Section 4.8). This research found that owner-managers had put effort into maintaining relationships with network contacts through networking activities (Section 6.8). The activities involved were more likely to be in an informal setting. It has become a culture for Malaysian managers to maintain

relationships by spend more non-work time with other parties that were related to their jobs to establish informal relationships (Section 4.5). The owner-managers informal meetings with family members, friends and business associate usually blended business with social purposes. It was more common to get together over drinks rather than business lunches (Section 6.8). There was evidence of bartering activity as suggested by literature that was not involved monetary transactions; owner-managers often returned the exchange what has been received earlier but the exchange was open to be used whenever needed; for example, offers to give any type of help needed later on. This type of exchange was form by the 'give and take' concept that was widely practiced within Malay society (Section 4.5). Furthermore, the religion of Islam called a responsibility of a Muslim (Malays believed in Islam) to 'help his brothers' when they were having problem, trouble of being unfortunate. The help offered to the needy was considered a good deed performed by a Muslim and will be rewarded by *Allah* (God).

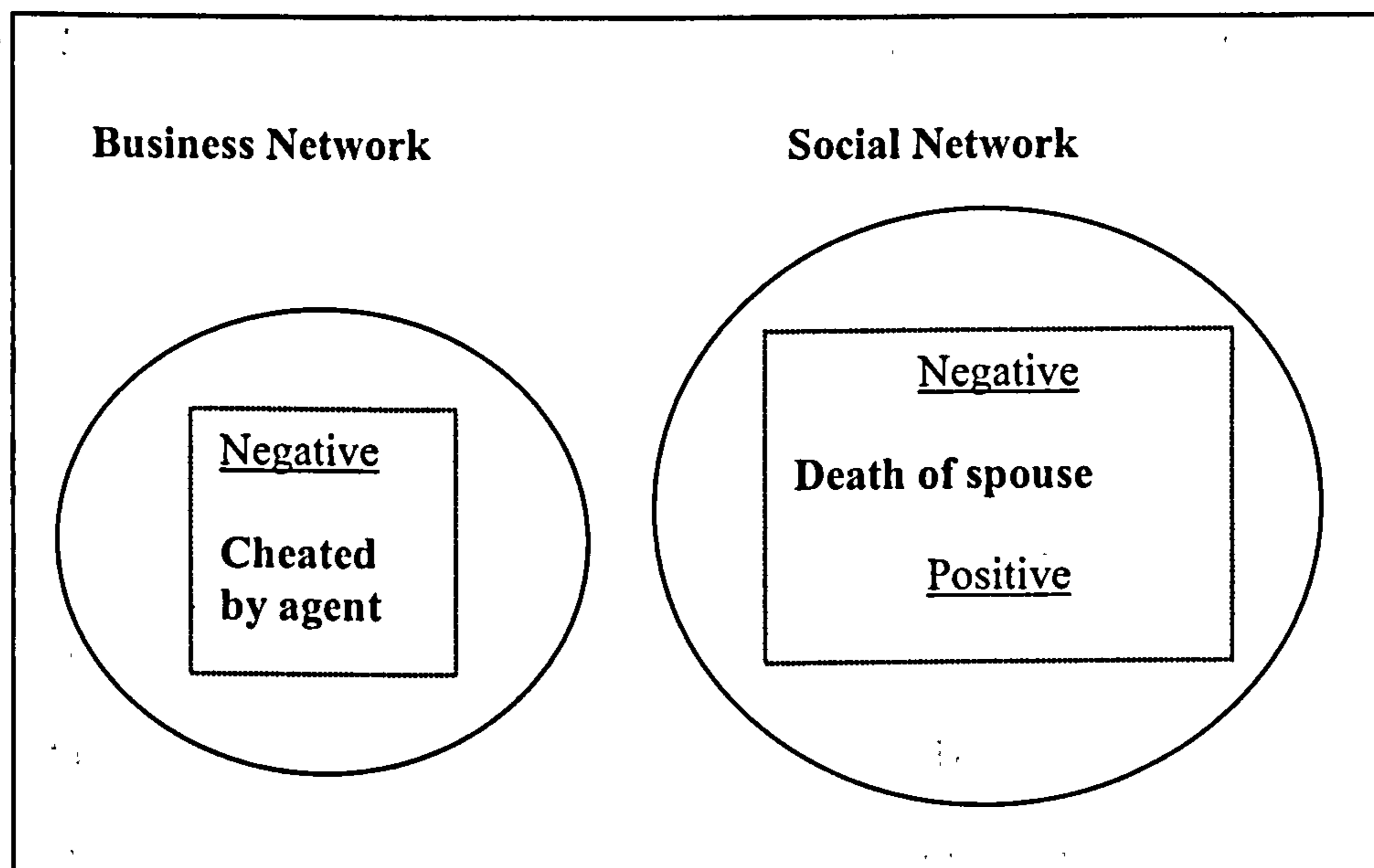
The findings show that the networking meetings of chalet owner-managers were not frequent and short. It was understood that the business networking meetings were blended with social networking activities and it was difficult to it separately. Therefore, it was appropriate to assume that owner-managers were less likely to carry out business networking but conducted informally within the social networking activities. The networking meetings were mostly held at the chalet office or at the owner-manager's home; only sometimes did they meet at a coffee shop within the village. Since most of the network contacts were family members and relatives, that were also the partners and

employees of the chalet firms. It was considered sensible to hold the networking activities at the chalet office or at the owner-manager's house. Furthermore, the chalet office and owner-manager's house were more likely located within the same compound or village. Since most of the network contacts were local, therefore a networking journey was unlikely to be required. Owner-managers spent a small amount of money on drinks and food, especially when they met at a coffee shop and they found the spending was worthwhile when compared to the benefits obtained. However, owner-managers did not disclose spending on meetings that were held at their houses. This was due to the Malays culture that considered an obligation of a host to treat guests (networks contacts) the best they could have during the visit or meeting.

8.9 Critical incidents associated with networking

Chalet owner-managers found incidents that happened in networking did not leave a major impact on their business. However, for some owner-managers, some incidents had had negative and positives impacts (Section 6.11). Figure 7.10 exhibits critical incidents that happened to some owner-managers.

Figure 7.10: Critical incidents associated with the networking



The negative incident associated with the business networks contacts was the person cheated by a travel-sales agent because transactions made were not supported by a written agreement; instead they were based on trust. Furthermore, the owner-managers did not initially appoint the agents, but the agents represented the chalet firms voluntarily. The case was that some of the agents were taking advantage of the situation, and taking legal action seemed to be more difficult without a proper agreement and less likely to happen (Section 6.11). Usually in the case like this, owner-managers withdrew from the network relationships. For a small firm like chalet firm in the researched areas to not taking action against the incident was considered better than taking further action against the other party. This was due to the cost will be involved in carrying out a legal action for example, was high, time consuming and psychology

effect and considered not worthwhile with the amount involved in the case. Normally, the Malays accept the religious concept of fate. This means that accept situation, realise your lost and perform prayer for *Allah* for a better future. Therefore, the best away was to withdraw from business transaction with the same party in future.

An incident that happened in a social network that left a negative impact on a business was the death of a spouse (Figure 7.10). The business declined after the incident because the skill, knowledge and experience possessed by the former owner-manager had not been passed on to other members of the family. Furthermore, the network of family members had not been involved in the firm's management. Therefore, the new owner-manager was unable to manage the firm and continue networking with former network contacts (Section 6.11). According the owner-manager, she had accepted the death of her husband because as a Muslim she believed it was pre-determined by *Allah*. So did with the business, however she had to move on but at this time will focus on the sundry shop and rent out the chalet units for the long stay guests.

An incident associated with a social network was reported to have had a positive impact on the owner-manager's firm. Help from a network of friends had made an owner-manager come back to stay on in the business after the damage caused by the monsoon. This shows that network contacts help each other through the practice of bartering by returning the help they had received from the network in the past. A concept of *gotong-royong* culture, the co-operation based on communality was applied in this situation

(Section 4.5). It appeared that the 'give and take' concept and togetherness within the group or network was important and valued higher than monetary value. Furthermore, the Malays maintaining the family or group togetherness the practice '*susah sama kita susah dan senang sama kita senang*' that means we stick together in hard and happy times. In doing so, the family or group members were obliged to help other members who were having hard times in their life and it should include business to relief the their burden by using this *gotong-royong* concept. This practice is reciprocated to all members.

Chapter 8

Conclusions and Recommendations

8.1 Introduction

This chapter evaluates the achievement of the thesis objectives as stated in Section 1.2. They are presented in a way such as to address the: chalet firm and its owner-manager's characteristics; the features of the chalet owner-managers' networks; the critical incidents associated with networking; the influence of local culture on networking; the recommendations for maximising the economic and social benefits of networking; and the contribution of the research to the small firm sector in general. Finally, the limitations of the research are identified and recommendations for further research outlined.

8.2. Chalet firm and its owner-manager's characteristics

This research concludes that the chalet firms are small and mostly located at the island destinations. The appropriate way to determine the chalet firm size is using a combination of multiple principles and grounded approach definition. The chalet firms are owner-managed but managers who are related to the owner run some. Personal savings was the main source to finance the firm. It follows by the family funds and assets, and assistance from the government development agency. The start-up motive for the local owner-manager was economic, to reap business opportunities and to obtain a higher income than from their present jobs; whereas, the outsiders preferred maintaining their lifestyle. The chalet firms were mostly new in business and owned/managed by young men. They entered the chalet business

with a secondary school education, and came from various backgrounds but lacked in accommodation sector related experience. However, they learnt the required skills for the chalet sector on the job and attended some required entrepreneurial courses provided government agencies like MARA, State Government and Tourism Ministry. Early exit from education system contributed to the number of young people owning and managing chalet firms.

8.3 Chalet owner-managers network features

It is concluded that the chalet owner-managers' network features are as following:

i) Network ties

The owner-managers' network relationships tie the family members, friends and business contacts who are related to the chalet business. The business and social network contacts consist of almost the same people. However, the business network includes the contacts from government development agencies. The contacts are from the same ethnic group and within the geographical area of the owner-manager.

ii) Type of networks

The chalet owner-managers' networks can be clearly divided into 2 types that are the 'family' and 'place'. The 'organisational' network was appeared to exist but was only involved when the firm was starting-up.

iii) Network diversity

The network contacts are limited to the people in the chalet's business circle within the same geographical area.

iv) Type of relationships

Owner-managers have strong informal relationships with family members, relatives, friends and business associates. However, formal relationships with tourism associations and political parties also existed.

v) The content of the network

The core of the network is mainly the 'exchange' of ideas, advice and help. This exchange results from the social interaction amongst the network contacts.

vi) The utilisation of the network

Owner-managers utilised the same network contacts of family and friends regardless the stage of chalet firms. The ties with the family were mainly for financial purposes, and the ties with friends were for other matters.

vii) Trust in the network

The owner-managers networks were primarily bound by trust. Trust was developed through the commitment of family relations and reliable friendships with friends. These relationships appeared to have a reciprocal value that came from a personal reference and guarantee.

viii) Factors considered for networking

The following are five factors considered by owner-managers before deciding to engage in a relationship with network contacts: trust, which means someone can be relied upon; the contact has been known for a long time; he/she came from the same geographical area; having the same kind of interest in business and (or) social interest; and someone who could help in the owner-manager's business.

ix) Networking motives

The networking motives of the chalet owner-mangers are: to gain access to financial assistance from the government agencies and banks; to obtain a delivery service from suppliers of raw materials; and to get ideas and advice from friends who are related to the chalet business.

x) Benefits of the networks

The network relationships have benefited the owner-mangers in term of: knowledge sharing; some improvement in business performance; some increases in sales; a positive impact on the owner-manger personally; and financial resources.

xi) Type of networking activities

Owner-managers maintain the network relationships through networking activities such as social and informal meetings with the contacts, exchanging

help, and participating in the community gathering or event. The networking meetings usually took place at the chalet's office or the owner-manager's house.

xii) Investment in networking

Owner-managers had invested little time and money in networking activities. This was due to the low maintenance of the network.

xiii) Problems in the network

The problems faced by the owner-managers were related to the sacrifice and emotion involved in the informal network, and the mismanagement of the formal network.

8.4 Critical incidents associated with networking

This research concludes that some critical incidents that happened during the networking activities may have left some impact on the owner-manager's business. A positive incident experienced by an owner-manager was the voluntary help offered by the network contact at a critical time. The negative incidents were the owner-managers who were cheated by travel-sales agents, and the death of an owner-manager's spouse. The death of the spouse left the most impact on the current owner-manager's business.

8.5 Influence of local culture on networking

The local culture has some influence on the chalet owner-managers' networking. The collectivistic Malay culture promotes networking among the chalet owner-managers to work together as a group. This leads to the selection of the people to be included in the group, which is limited to the strong cohesive groups of family and extended family members, and friends. The relationship-oriented Malays regard the important of building the relationship with the people surrounding and related to them. This concept is practiced in establishing networks contacts with the people that involved or related to the chalet accommodation business like the owner-managers are in. In engaging in the networking activities, owner-managers somehow trying to avoid conflict according the preservation of face Malays culture concept in order to maintain a long term and harmony relationships with others. In this hierarchical Malay society, the senior members were expected to guide and teach the juniors. This concept contributes to the motivations, expectations, content and benefits of chalet owner-managers networking that was centred on the learning and seeking for opinions and advices from the network contacts. The promoting of learning culture within the society also supports it. While facing the problem in business or the network, the owner-managers reacts accordance to the religious teaching and believes that is to accept the fate, avoid confrontation and make prayer to *Allah*. Whenever there is any network member having hard times difficulties, it is become a cultural obligation to other members offer helping hands to ease the burden. This is normally done by performing the *goyong-royong*. Receiving guests at their house in an honour to owner-manager thus, the networking that took place at the house become social gathering rather than business meeting. The sum of money and time spent in this

gathering is not considered as an investment in networking. Therefore, it is considered appropriate to conclude that the local culture has influence as well as serve as a guideline in the networking activities of chalet owner-managers.

8.6 Recommendations

Based on the conclusions of chalet owner-managers' networking drawn in Sections 8.3 and 8.4, it is considered that some areas of the network relationships can be improved in order to maximise the benefits of the network. Therefore, this research suggests key recommendations for improvement in these areas:

i) Network ties and diversity

Owner-managers should consider widening their network diversity to include more contacts outside the chalet sector, particularly those related to the tourism and hospitality industry. This group of contacts could consist of transport operators, travel-sales agents, local government, tourist associations, tourist boards and other tourism business operators such as activities providers, souvenir shops and eating outlets. This interaction with the broader background of network contacts would encourage fresh and wider knowledge of the tourism and hospitality industry. Thus, tourist activities could be coordinated efficiently and would benefit all of the network's contacts. Furthermore, it is essential for the chalet owner-managers to include contacts from other ethnic groups or race, particularly the Chinese, since Chinese businessmen have strong business networks and control many business resources in Malaysia.

ii) Participating in various levels of networks

In line with Section 8.5 (i), it is recommended that the owner-managers should participate in the networking relationships at various levels of the networks. The levels of networks are: the firm, the destination or the geographical district, and the organisational level. Table 9.1 illustrates the different levels of networks and their features.

Table 8.1: Recommended level of networks

Features	Level of Networks		
	Firm	Geographical	Organisational
Ties	Partners, Employees, Family	Family and Friends, Business Associates,	Industry Association, Regulatory Bodies
Content	Job and Tasks	Resources, Information, Knowledge, Social	Resources, Information, Learning, Assistance
Activity	Internal interaction	Bartering, Informal meetings	Meetings, Courses and Seminars
Relationship Management	Employer-employees Family	Group/Clique Informal leader	Formal Coordinators

At the firm level, the owner-manager interacts with partners and employees/employers in performing management tasks and functions for the chalet business. The owner-manager networks the contacts of family members, friends and other business people at the destination level for access to resources and social purposes; while formal networking at the organisational level with industry associations such as tourist associations and regulatory bodies like the tourist board and government departments may provide resources that are not available at the destination level. It is also

recommended that the chalets' owner-managers and other tourist services providers should form a local tourist association.

iii) Learning activities

Learning and knowledge sharing activities can be organised effectively through the active participation of organisational networks such as the State Tourist Board, State Entrepreneur Development Centres, Tourist Associations, Political Parties and other government development agencies. These organisations can foster learning activities through providing and organising courses such as management, marketing and entrepreneurship courses for chalet owner-managers as well as other tourist service providers at the destinations.

iv) Relationship management

In order to overcome the problems faced in the network in Section 8.3 (xiii), to minimise the impact of negative critical incidents (Section 8.4) and to maximise the networking benefits, effective network relationship management is required. Thus, this thesis recommends the following strategies for all network levels:

- At the firm level; owner-managers should encourage and include family members that work in the firm to participate in the networking activities with the outside firm network contacts. This allows the network contacts to recognise and acknowledge the firm's representative as well as building up trust in him/her.

Therefore, the network relationships are extended when the new member of the family takes over the firm later on.

- At the destination/geographical level; owner-managers rely on the senior and more successful network contact for knowledge and advice. These network contacts are seen as informal leaders. Therefore, it is important to equip this informal leader with the right and adequate knowledge, information and skills to disseminate to other contacts. This informal leader may be groomed as a local network champion and become a role model in small firm management and networking.
- At the organisation level; organisations should appoint reliable network coordinators that can work closely with the small firm owner-managers. This is important because small firm owner-managers are more likely to have relationships with the organisation whose people they rely on. Furthermore, the management of the organisations, particularly the local tourist associations, should be efficient. Therefore, it is considered vital for the association's managing committee to attend management courses.

v) Utilising information technology

In addition to relying on 'word-of-mouth' and advertising in the *Lonely Planet* travel book, it is recommended that chalet owner-managers should start to utilise information technology as a marketing tool. The owner-manager can

... post a chalet firm's website on many free or low cost sites on the Internet and bookings can be made through email. Therefore, the chalet firms can reach a wider range of customers more quickly and make advance bookings.

8.7 Contribution of the research

The researcher hesitates to make any broad generalisations about all sectors from the findings of this thesis. However, it is believed that the characteristics identified in small firms and their owner-managers are applicable across all sectors as a whole, particularly in the developing countries. The significant contribution of the research is to the theory related to networks that suggests that the context and environment of the firms should be taken into consideration, particularly the local culture. In this case, the membership patterns and benefits were in contrast to the general theory and the application elsewhere in the developed countries, for example in the U.K.

However, this research concluded that network relationships are capable of providing support for the small firm in terms of the exchange of help and advice, learning and knowledge sharing.

The methodology employed in this research, particularly the application of the case protocol, is considered to contribute to qualitative research on small firms. The use of this research tool has allowed the definite qualitative data to be quantified and presented systematically. This promotes good management of the rich qualitative data. Personally, this research project is also considered to have contributed to the development of the researcher's research skills. These research skills were developed through the process of research method training and excellent supervision,

as well as participation in seminars within the Department and international conferences. It is considered that upon completion of this research, the researcher is ready to take on a bigger challenge in his research activities.

8.8 Research limitations

The recognised limitation of this research is in the methodology adopted. The limitations of the methodology are the small sample size, based on one region (the east coast) and the non-probability techniques selected; therefore it is lacking in general application. However, this was compensated for by the use of a standardised interview guide (case protocol) which was highly reliable. This was considered to balance the depth and richness of the research findings.

8.9 Recommendations for future research

The following three significant areas of research have been identified during the research project:

i) Destination network

It is considered that when this project is finished future research should be carried out into small firm networks. In this way, the knowledge gained during this research could be transferred to investigating networking at the macro level and within a wider sample. It should represent all tourism and hospitality firms: accommodation, restaurants, travel-sales agents, transportation, souvenir and auxiliary firms as well as formal network organisations in the destination. This would overcome the recognised limitation in Section 9.7. Table 9.2 illustrates the networks levels and

features for further research. Furthermore, the research should be carried out at several major destinations, so that comparative analysis can be made.

Table 8.2: Future research on level of networks

Features	Level of Networks		
	Firm	Geographical	Organisational
Relationship	Formal/Informal or Compulsory/Voluntary		
Ties	Composition of network members		
Content	Type of services/facilities/resources offered by the network		
Utilisation	The utilisation of the network content by members		
Motivation	Reason for joining the network		
Cost	Cost incurred for joining and maintaining network relationship		
Benefit	Benefit obtained from the network		
Activity	Type of networking activity		
Problem	Problem anticipated/faced with the network		
Development and Sustainability	Development and sustainability of network/network relationship		
Age of Network	Life span of the network		
Relationship Management	How and by whom is the network managed		

ii) Network development and sustainability.

An interesting area recommended for future research into small firm networks is the development and sustainability of the network relationship.

This research should aim to study the process of developing a network relationship and the factors that promote sustainability or lead to the termination of the relationships. It can also be applied to the development

pattern of a network organisation from the start-up to the maturity of the network. This research finding is considered important for developing and promoting the good practice of managing network relationships.

iii) Small firm 'best practice'

Within the area of small firm literature it is recognised that small tourism and hospitality firms are confronted with management issues such as marketing, strategic management, entrepreneurship, growth and information technology. Therefore, it is recommended that future research should investigate how the small firm succeeds or fails to manage these problems. The outcome of this research can be used in the process of developing a 'best practice' for small firm management particularly in the tourism and hospitality industry.

This chapter concludes that the chalet firms are; small, owner-managed, financed by personal fund, set-up for economic motives, new in business, and managed by young men that came from various background. The chalet owner-managers have network relationships that based on trust with 'strong ties' throughout the business life for business and social purposes. The local culture has some influence in the networking activities. The main benefit of the network was knowledge sharing in term of exchange of ideas and advice. Therefore, in order to maximise the benefits of the network, this chapter recommends; the network should include more contacts that related to tourism and hospitality industry, owner-managers to participate in all network levels that are firms, geographical and organisational networks, to include

relevant organisations from the organisational networks to foster learning activities,
to manage the network relationship effectively, and utilise information technology.

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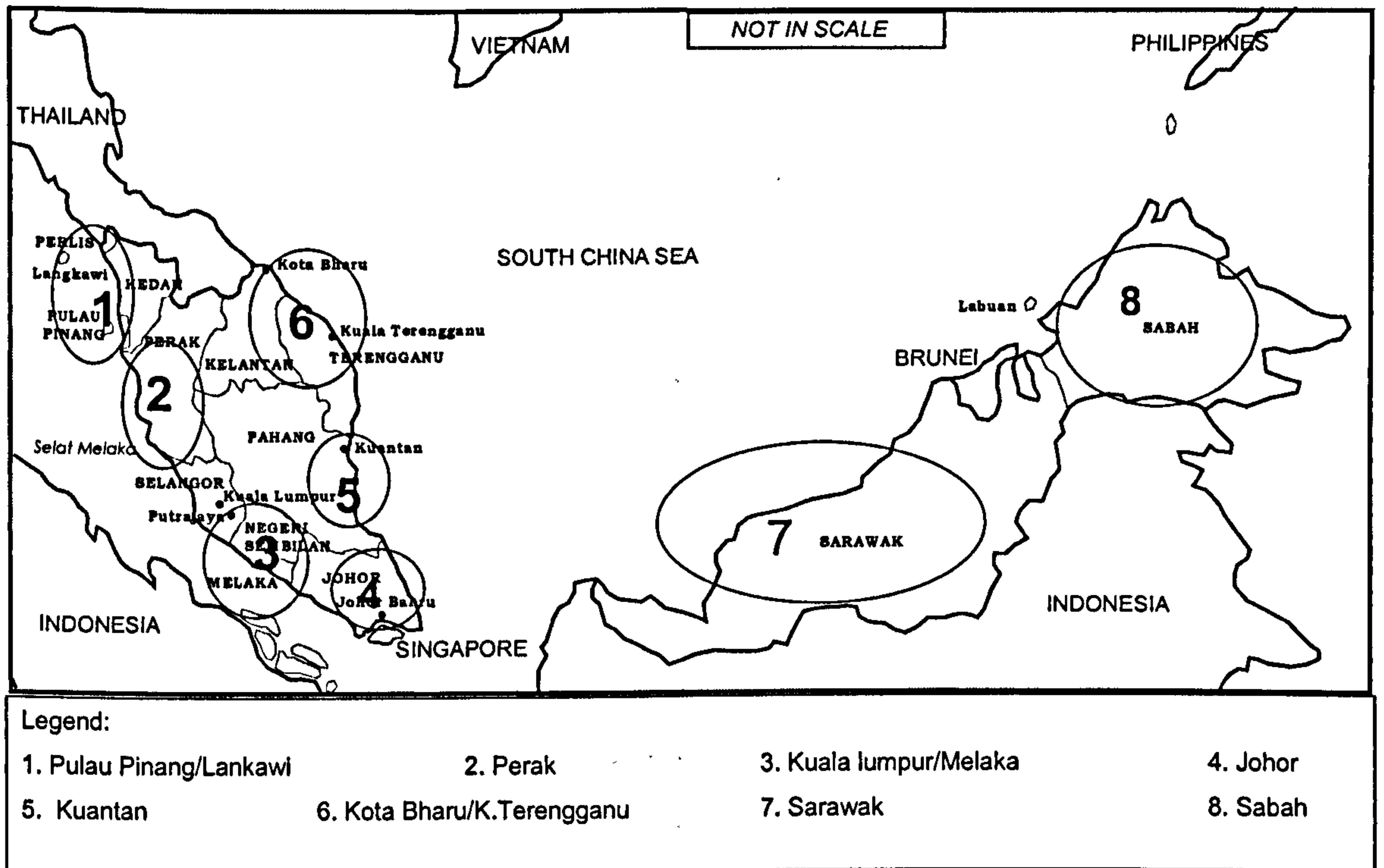
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Appendix 1

Tourist Regions



Appendix 2

Tourism Infrastructure Fund (TIF)

This fund is for the purpose of financing the incremental cost of new or existing projects excluding land and working capital. The nature of projects eligible to apply for the fund includes:

- a. All tourism infrastructure projects that contribute to the development of the tourism industry, with priority given to the following types of projects:
 - Integrated or regional tourism centres and complexes and facilities which provide access and/or infrastructure to tourism centres, such as access roads, cable cars, jetties and airstrips.
 - Theme and/or recreational parks
 - Safari parks
 - Marinas and waterfronts
 - Other sectors of the tourism infrastructure as identified from time to time by the Federal Government and/or the lending bank.
- b. The projects must be located in Malaysia
- c. The projects must be registered with the Ministry of Tourism (previously the Ministry of Culture, Arts and Tourism).

This financial facility is open to all Malaysian majority-owned (at least 51%) companies with at least RM10 million paid-up capital. The amount of the loan is between RM5million and RM50 million.

Appendix 3

Special Tourism Fund (SME Tourism Fund)

Open to small and medium enterprises (having less than RM10 million equity), being at least 60 % Bumiputera owned and having the purpose of small and medium scale tourism related projects. The loan amount under this scheme is between RM50 thousands and RM25 millions or 90% of project costs (excluding land cost) subject to which one is lower. Priority is given to the following projects:

- Expansion and renovation of tourist accommodation includes hotels, motels, chalets, lodges and rest houses.
- Expansion and renovation of sites of historical interest
- Building tourist attractions, including recreational parks and theme parks, such as butterfly, botanic, and safari parks
- Providing tourist facilities including restaurants with cultural performances, craft and souvenir centres, duty free shops, equipment for marinas, bicycles, boats and other activities (except golf equipment), or equipment related to cultural performances for cultural troops.

Other projects eligible to apply for the SME fund are:

- Financing the construction of new hotels or resorts on Bumiputera land, including on the tourist islands;
- Financing the business acquisition for Bumiputera including hotels, but not the Seri Malaysia hotels; and
- Other tourism related projects that are classified by the Ministry of Tourism or the lending banks.

Appendix 4

Government Incentives for the Tourism Industry

Incentive Promotion for Tourism Projects is given to:

- i. Accommodation projects that are hotels or resorts between 1 and 5 Star, and 1 to 3 Orchid rated motels, chalets, inns and rest houses.
- ii. Other projects are:
 - Integrated craft and cultural centres
 - Recreation centres
 - Theme parks
 - Museums and galleries
 - Camping and holiday camps
 - Marinas and yachts
 - Tourist restaurants
 - Conference and exhibition centres

Pioneer Status

- a. Investment Tax Allowance
- b. Incentives for Cruise Ships
- c. Income Tax Exemption for Tourism Operators
- d. Double Tax Discount for Overseas Promotions' Expenses
- e. Double Tax Discount for Training
- f. Import Duty, Sales' Tax and Service Tax Exemption
- g. Import Duty and Sales' Tax Exemption for Environmental Conservation Equipment and Machines
- h. Tax Exemption for Hotel Expansion, Modernisation and Renovation
- i. Investment Tax Exemption for the Construction of Hotels between 1 and 3 stars
- j. Income Tax Exemption for Camping Projects and Holiday Camps
- L Income Tax Exemption for Tourist Restaurants

- k. Tax Exemption for the Promotion of International Trade Conferences and Exhibitions
- l. Double Tax Discount for participation in International Trade Exhibitions in Malaysia
- m. Incentives for Car Hire Operators
- n. Allowances for Infrastructure
- o. Allowances for Industrial Buildings
- p. Incentives for the Application of Information Technology
- q. Tax Discounts for Cultural Shows
- r. Entertainment Duty Exemption

Section A: Demography Details of Small Chalet's Owner-Manager

(Structured Questions)

1. Gender: _____
2. Locality: _____
3. How old are you? _____
4. Are you married? _____
5. How many children do you have? _____
6. What is the highest level of formal education you completed?

7. What is your previous work and experience

8. What type of business education training have you received?

9. How many years have you been in this business? _____
10. How many chalets do you have? _____
11. How many employees do you have?

12. How many of your family members work with you?

13. How many hours do you spent on business per week?

14. Do you keep the names and address of your business contacts?

Open Questions

15. Can you describe how you started this business?

16. What problems have you faced during the start-up and early stages of your business?

17. How do you solve problems?

18. From whom did you seek help and support for your business during this stage?

Section B: Network Features and Relationships

Structured Questions

19. Are you a member of any network or associations?

20. Can you specify the name of the association?

21. How long have you been a member of these associations?

22. Do you have to pay an annual subscription?

Type	Name	Years	Cost
Trade associations	_____	_____	_____
Chamber of Commerce	_____	_____	_____
State/Local Tourist Board	_____	_____	_____
Consortia	_____	_____	_____
Links with suppliers	_____	_____	_____
Political Organisation	_____	_____	_____

Social Clubs

Sport and Recreation Club

Others

23. What is your level of involvement with these associations?

Name

Status

Responsibility

24. Who are the other people (groups/individuals) you have direct or indirect business relationships with?

25. How did they help you in your business activity?

26. How did you establish relationships with these people?

Family _____

Friends _____

Relatives _____

Business associates _____

Government (Development Agency) _____

Credit Institutions _____

Customers _____

Suppliers _____

Others _____

27. From whom do you usually seek help, support and advice for your business?

Who	Type of help/support/advice
_____	_____
_____	_____
_____	_____

Section C: Networking

Structured Questions

28. With how many people would you estimate you have discussed aspects of running your own business over the past 6 months? _____

29. Please indicate up to five (5) people with whom you feel especially willing or able to discuss business matters about running your current business.

- i) _____
- ii) _____
- iii) _____
- iv) _____
- v) _____

30. What business matters do you normally discuss with them?

- i) _____
- ii) _____
- iii) _____

iv) _____

31. Information about the persons you named above

persons

	(i)	(ii)	(iii)	(iv)	(v)
a. gender	_____	_____	_____	_____	_____
b. race	_____	_____	_____	_____	_____
c. relationship	_____	_____	_____	_____	_____
d. occupation	_____	_____	_____	_____	_____
e. other	_____	_____	_____	_____	_____

32. How many hours per week do you spend discussing business matters with all of them? _____

33. How many times per week do you discuss with them? _____

34. Where do you normally you meet?

35. How many journeys do you made for the meeting per week? -

36. Please indicate up to five people with whom you socially hang around.

i) _____

ii) _____

iii) _____

iv) _____

v)

37. Information about the persons you named above

	persons				
	(i)	(ii)	(iii)	(iv)	(v)
a. gender	_____	_____	_____	_____	_____
b. race	_____	_____	_____	_____	_____
c. relationship	_____	_____	_____	_____	_____
d. occupation	_____	_____	_____	_____	_____
e. other	_____	_____	_____	_____	_____

38. Please think about the relationships between the five people you named above.

For each pair, indicate the relationship between these two people as far as you know it.

	stranger	somewhat acquainted	well acquainted	not sure
persons (i) and (ii)	1	2	3	4
persons (i) and (iii)	1	2	3	4
persons (i) and (iv)	1	2	3	4
persons (i) and (v)	1	2	3	4
persons (ii) and (iii)	1	2	3	4
persons (ii) and (iv)	1	2	3	4
persons (ii) and (v)	1	2	3	4
persons (iii) and (iv)	1	2	3	4
persons (iii) and (v)	1	2	3	4

Open Questions

39. What motivates you to enter network relationships with those organisations?
(formal /informal networks/groups)
40. What do you expect to obtain from the network?
41. What have you actually obtained from the network relationships?
42. What are the factors you considered before entering into network relationships?
43. Do you think that by networking you can improve your business performance and prospects for growth?
44. Can you describe how you maintain network relationship with others?

*Section D: Cost and Benefit of Networking***Structured Questions**

45. Do your current networks contribute to achieving bigger market opportunities?
46. Have you managed to share costs since beginning co-operating with other members?
47. Have you received any special price and more convenient credit arrangements?
48. Has your networking contributed towards increasing sales?
49. Has networking led to knowledge sharing?
50. Has any aspect of performance of your business been improved after joining this network?
51. What impact has belonging to these networks had on you personally?

52. How much have you spent and what type of expenses have you incurred in the meeting with other network members?

53. Do you think the expenses you spent were worthwhile for your business?

Section E: Critical Factors Associated to Networking

Open Discussion

54. Can you recall any incident(s) that has happened to you regarding your relationship with people or events where the incident affected your business?

55. How did this happen?

56. How did you cope with this situation?

57. With whom did you discuss this problem?

Appendix 6

Interview Questions (Translation)

Panduan Interview

Seksyen A: Butir Demografi Pemilik Pengurus Chalet Kecil

(Soalan Berstruktur)

1. Jantina: _____

2. Kawasan: _____

3. Berapa umur tuan/puan? _____

4. Sudahkah tuan/puan berkeluarga? _____

5. Berapa ramai anak tuan/puan? _____

6. Di mana tuan/puan bersekolah?

7. Apakah pekerjaan tuan/puan sebelum ini?

8. Apakah jenis latihan perniagaan yang pernah tuan/puan ikuti?

-
9. Sudah berapa lama tuan/puan berniaga? _____
10. Berapa unit chalets tuan/puan punyai/urus? _____
11. Berapa ramai kakitangan tuan/puan? _____
12. Berapa ramai ahli keluarga bekerja dengan tuan/puan? _____
13. Berapa jam tuan/puan bekerja dalam seminggu? _____
14. Adakah tuan/puan simpan rekod rakan niaga tuan/puan? _____

(Soalan Terbuka)

15. Bolehkah terangkan bagaimana tuan/puan mulakan perniagaan ini?
16. Apakah masalah yang tuan/puan hadapi pada di awal perniagaan dulu?
17. Bagaimana tuan/puan selesaikan masalah tersebut?
18. Dari siapa tuan/puan minta bantuan pada masa tersebut?

Seksyen B: Hubungan dan Ciri Network

(Soalan Berstruktur)

19. Adakah tuan/puan menjadi ahli mana-mana persatuan?

20. Apakah nama persatuan tersebut?

21. Sudah berapa lama tuan/puan menjadi ahli persatuan tersebut?

22. Adakah yuran tahunan dikenakan?

Jenis	Nama	Tahun Kos	
Persatuan Dagangan	_____	_____	_____
Dewan Perniagaan	_____	_____	_____
Persatuan Pelancongan	_____	_____	_____
Konsortia Pemasaran	_____	_____	_____
Pakatan dengan Pembekal	_____	_____	_____
Pertubuhan Politik	_____	_____	_____
Kelab Sosial	_____	_____	_____
Kelab Sukan dan Rekreasi	_____	_____	_____
Lain-lain	_____	_____	_____

23. Apakah kedudukan tuan/puan dalam persatuan tersebut?

Nama	Status	Tanggungjawab
_____	_____	_____
_____	_____	_____
_____	_____	_____

24. Siapakah orang lain yang ada hubungan perniagaan secara langsung atau tidak langsung dengan tuan/puan?

25. Bagaimana mereka membantu tuan/puan?

26. Bagaimana hubungan dengan mereka terjalin?

Keluarga _____

Rakan _____

Saudara mara _____

Rakan niaga _____

Agensi Kerajaan) _____

Pemberikredit _____

Pelanggan _____

Pembekal _____

Lain-lain _____

27. Dari siapa selalunya tuan/puan meminta bantuan, sokongan dan nasihat perniagaan?

Siapa	Jenis bantuan/nasihat/sokongan
_____	_____
_____	_____

Seksyen C: Aktiviti Hubungan Network

(Soalan Struktur)

28. Dengan berapa orang tuan/puan berbincang berkaitan dengan perniagaan dalam enam bulan lepas? _____

29. Sila nyatakan lima orang yang selalunya tuan/puan berbincang berkaitan dengan perniagaan sekarang.

i) _____

iv) _____

v) _____

iv) _____

v) _____

30. Apakah aspek perniagaan yang selalunya dibincangkan?

v) _____

vi) _____

vii) _____

viii) _____

31. Maklumat berkaitan mereka yang dinamakan di atas.

Individu

	(i)	(ii)	(iii)	(iv)	(v)
a. jantina	_____	_____	_____	_____	_____
b. bangsa	_____	_____	_____	_____	_____
c. hubungan	_____	_____	_____	_____	_____
d. pekerjaan	_____	_____	_____	_____	_____
e. lain	_____	_____	_____	_____	_____

32. Berapa kali sebulan tuan/puan berbincang/berjumpa dengan mereka? _____

33. Berapa jam sebulan digunakan untuk perbincangan/perjumpaan? _____

34. Dimana selalunya tuan/puan berjumpa? _____

35. Berapa anggaran jarak perjalanan sebulan untuk perjumpaan tersebut? ___ km

36. Sila nyatakan lima orang yang selalunya tuan/puan luangkan masa.

i) _____

vi) _____

vii) _____

viii) _____

ix) _____

37. Maklumat berkaitan dengan mereka di atas..

	Individu				
	(i)	(ii)	(iii)	(iv)	(v)
a. jantina	_____	_____	_____	_____	_____
b. bangsa	_____	_____	_____	_____	_____
c. hubungan	_____	_____	_____	_____	_____
d. pekerjaan	_____	_____	_____	_____	_____
e. lain-lain	_____	_____	_____	_____	_____

38. Cuba ingatkan hubungan antara 5 orang di atas. Pada pendapat tuan/puan, sejauhmana mereka kenal-mengenal.

	tak kenal	kenal sedikit	sangat kenal	tak pasti
persons (i) and (ii)	1	2	3	4
persons (i) and (iii)	1	2	3	4
persons (i) and (iv)	1	2	3	4
persons (i) and (v)	1	2	3	4
persons (ii) and (iii)	1	2	3	4
persons (ii) and (iv)	1	2	3	4

persons (ii) and (v)	1	2	3	4
persons (iii) and (iv)	1	2	3	4
persons (iii) and (v)	1	2	3	4
persons (iv) and (v)	1	2	3	4

Seksyen D: Views on Networking

(Soalan Terbuka)

39. Apa yang menyebabkan tuan/puan menyertai sesebuah persatuan/kumpulan?
40. Apa yang tuan/puan harapkan dari persatuan?
41. Apakah yang sebenarnya tuan/puan perolehi?
42. Bagaimana tuan/puan memilih persatuan untuk disertai?
43. Adakah tuan/puan rasa hubungan network dengan persatuan akan membantu meningkatkan perniagaan?
44. Bagaiman tuan/puan memelihara hubungan dengan ahli-ahli lain?

(Soalan Berstruktur)

45. Adakah hubungan dengan network meningkatkan peluang pasaran tuan?

46. Adakah kos sebahagian aspek perniagaan berkurangan hasil perkongsian kos?.

Nyatakan.

47. Adakah tuan/puan menerima potongan harga sebagai ahli? Nyatakan

48. Adakah hasil pendapatan tuan/puan meningkat? Nyatakan

49. Adakah pengetahuan tuan/puan meningkat? Nyatakan

50. Adakah prestasi perniagaan tuan/puan meningkat? Nyatakan

51. Apakah kesan keatas diri tuan/puan?

52. Berapa tuan/puan belanja semasa berbincang/berjumpa dengan ahli lain?

Nyatakan juga jenis perbelanjaan.

53. Adakah perbelanjaan tersebut berbaloi dengan hasil dari perjumpaan tersebut?

Seksyen F: Faktor Kritikal Berkaitan dengan Networking

(Perbincangan Terbuka)

54. Dalam ingatan tuan/puan, adakah terdapat mana-mana insiden (baik atau buruk) berkaitan dengan hubungan tuan/puan dengan orang lain yang memberi kesan besar kepada perniagaan tuan/puan?

55. Bagaimana ia berlaku?

56. Bagaimana tuan/puan hadapi keadaan tersebut?

57. Adakah tuan/puan berbincang dengan sesiapa berkaitan perkara tersebut?

Appendix 7

Case Protocol

According to Yin (1994:63), case study protocol is essential when using multiple-case design. It is an instrument that contains the procedures and general rules that should be followed in carrying out case study research. The protocol serves as a guide to standardise the data collection that ensures the investigation of every case is carried out in a similar manner (Arthur and Nazroo 2003:115; Rowley and Purcell 2001; Walsh 2003). Thus, it increases the reliability of 'within-case' and cross case analysis. A case protocol is also created to guide this research into the social networking of the small chalet owner-managers. The protocol should be established before setting out to collect data (Arthur and Nazroo 2003:115; Walsh 2003). The content of the protocol is adopted from a study of microcomputer implementation and its organisational effects in 12 school districts, by Yin (1994:64) as follows:

Purpose

The purpose of this case protocol is two-fold: to guide the researcher in carrying out the case study and to increase the reliability of the case study research. Each case in the study will be investigated using the same procedure to maintain a standard quality of field and data collected.

Procedure

This procedure guides the researcher in conducting the fieldwork to collect data from the selected cases.

a. Initial fieldwork

The fieldwork will take place between 20 January 2003 and 31 March 2003. The fieldwork schedule is shown in Appendix 5.6

b. Selecting the case

The cases selected should meet and satisfy the criteria below:

1. Operates within the selected case areas which are: Besut and Pulau Perhentian, Trengganu; Kampung Cherating, Kuantan Pahang; Pulau Tioman, Pahang; and Mersing, Johor.
2. Has chalets units and is located at the coastal area.
3. Has a maximum of 25 units of chalets.
4. Owned by individuals (individual, family or a group of individuals) and not a part or subsidiary of another hospitality corporation.
5. Managed in a personalised manner by the owner or manager and not under a formal management arrangement.

c. Data base of small chalets in the case areas

The case study will be selected from the list of small chalets within the case areas as appears in Table 2, Table 3 and Table 4. The list was extracted from the Ministry of Culture and Tourism's accommodation database.

Table 2 List of Small Chalets in Cherating and Pulau Tioman, Pahang

No.	Name	Address	District	Size
1	CORAL RESORT CHALETS PARK	KG.MUKUT,	PULAU TIOMAN	10
2	MUKUT HARMONY RESORT	KAMPONG MUKUT	PULAU TIOMAN	12
3	RHANA PIPIN BEACH RESORT	LOT 1006,CHERATING BEACH	KUANTAN	12
4	TC BEACH RESORT	KG AIR BTG	PULAU TIOMAN	12

5	AIR BATANG BEACH CABANAS	KG.AIR BTG	PULAU TIOMAN	13
6	JOHAN'S FAMILY RESORT	KG AIR BTG	PULAU TIOMAN	14
7	JUARA SAUJAN BEACH	KG JUARA	PULAU TIOMAN	15
8	MAK DEE HOUSE & CHALETS	KG CHERATING	KUANTAN	15
9	GENTING DAMAI RESORT	KG GENTING	PULAU TIOMAN	16
10	CORAL REEF HOLIDAYS	KAMPUNG TEKEK	PULAU TIOMAN	19
11	DUMBA 2	KG GENTING	PULAU TIOMAN	21
12	MASTURA CHALETS	KG TEKEK	PULAU TIOMAN	21
13	PAYA VILLAGE	KG.PAYA	PULAU TIOMAN	21
14	GENTING DAMAI HOLIDAYS	KG GENTING	PULAU TIOMAN	22
15	GENTING JAYA HOLIDAYS	KG GENTING	PULAU TIOMAN	22
16	PANUBA INN RESORT	KG PANUBA	PULAU TIOMAN	24
17	CHERATING BAY VIEW RESORT	LOT 367, KG. CHERATING LAMA	KUANTAN	25
18	SALANG SAYANG RESORT	KG SALANG	PULAU TIOMAN	25

Table 3 List of Small Chalets in Besut and Pulau Perhentian, Terengganu

No.	Name	Address	District	Size
1	D' RIZAN RESORT	LOT 1611, JALAN PANTAI SEBERANG KASTAM	BESUT	10
2	COCO HUT	PULAU PERHENTIAN BESAR	PULAU PERHENTIAN BESAR	12
3	PASIR PANJANG CHALETS	PASIR PANJANG	PULAU PERHENTIAN KECIL	12
4	SAMUDRA BEACH CHALET	PULAU PERHENTIAN	PULAU PERHENTIAN BESAR	15
5	CORAL BAY CHALETS	PULAU PERHENTIAN BESAR	PULAU PERHENTIAN BESAR	16
6	LONGBEACH COTTAGE HUT	PULAU PERHENTIAN KECIL	PULAU PERHENTIAN KECIL	17
7	PANORAMA CHALETS	PASIR PANJANG	PULAU PERHENTIAN BESAR	18
8	ABDUL'S CHALETS	PULAU PERHENTIAN BESAR	PULAU PERHENTIAN BESAR	20
9	IBI CHALET	PULAU PERHENTIAN BESAR	PULAU PERHENTIAN BESAR	20
10	ROCK GARDEN CHALETS	PASIR PANJANG	PULAU PERHENTIAN BESAR	20
11	TAMAN AZIMOS CHALETS	AIR TAWAR	BESUT	20
12	FONA BEACH RESORT	PANTAI TELUK DALAM	PULAU PERHENTIAN BESAR	PULAU PERHENTIAN BESAR
13	PELANGI RESORT	TELUK DALAM	PULAU PERHENTIAN BESAR	21
14	D LAGOON	PULAU PERHENTIAN KECIL	PULAU PERHENTIAN KECIL	25

Table 4 List of Small Chalets in Mersing, Johor

No.	Name	Address	District	Size
1	GREEN CHALETS	PULAU PEMANGGIL	MERSING	10
2	KALI'S GUEST HOUSE	NO.12E, KG. SRI LALANG	MERSING	12
3	AIR PAPAN CHALET	PANTAI AIR PAPAN LAUT	MERSING	13
4	MERSING RESORT	LOT 117 JALAN ENDANI	MERSING	15
5	SUARA CHALETS	KG. BATU 4, TENGLU LAUT	MERSING	15
6	PANTAI PENYABOR RESORT	PELANCONGAN PPRT, TANJUNG PENYABOR	MERSING	18
7	CHALET SERI TENGLU	KG. TENGLU LAUT	MERSING	22
8	LANTING BEACH RESORT	D/A 3, JALAN JETI, GERAJ MDM	MERSING	22

d. Determination of persons to be interviewed

The person to be interviewed was the owner or manager of the selected case in the selected case areas mentioned above. The owner who personally managed the operation of the chalets is preferred. The owner manager of the small chalets is also selected as the unit of analysis for this case study research.

e. Other Sources of Information

Other sources of information that are related to the study are:

- i. Tourism Association, Development Agency, Local Business Associations, Marketing Consortia or Networks and Tourism Planner and other researchers. The type of information that can be obtained from these sources are:

- background information on the associations
 - tourism development of the areas
 - previous research conducted in the areas and
 - getting access to the selected cases.
- ii. Documents containing information such as:
- members' list of associations,
 - database of small chalets within the case areas (revised or updated) and a list of suppliers
 - business cards
 - and evidence associated with the event of networking.

Protocol and Questions

Aims

The aims of the case study research are to find out:

1. Why small chalet owner-managers participate in associations and network relationships?
2. How the small chalet owner-managers utilise networking to maximise the benefits of the relationships?

Objectives

To achieve the above aims, a set of objectives for the study are set to:

1. Identify the social network features of small chalet owner-managers;
2. Understand how small chalet owner-managers view networking;

3. Examine the networking activity levels of the owner-managers;
4. Identify the critical factors associated with networking;
5. Identify the tangible costs and benefits associated with networking; and
6. Recommend strategies to improve networking skills to maximise economic and social benefits.

Interview Protocol

The data collection technique chosen for this research is the in-depth interview. The interview is the appropriate technique to gather information and data to answer the basic case study 'why' and 'how' questions. The main advantage of an interview is that the researcher can help the interviewee to understand the questions during the session. This will lead to an increase in the quality, accuracy and amount of data obtained. The interview will be conducted in *Bahasa Melayu*, which is the language used by the respondents for communication. The researcher is a native speaker of the language, and resides in the same country. To ensure the interview is conducted in a standard manner in all cases, the following interview protocol should be observed by the researcher:

1. Use a standard interview question in all cases.
2. Minimise the alteration of questions during the interview.
3. Record the interviews on tape. Only take field notes when recording is denied.
4. Clarify and validate the data during the session when possible.
5. Allow the interview to take place at the respondent's preference.

6. Explain the purpose and objective of the interview.
7. Make sure the respondent is comfortable during the interview.
8. Explain and reformulate the question when needed.
9. Allow the respondent to express views in his/her own way.
10. Notify the respondent that the data collected is treated as confidential.
11. Acknowledge the respondent for his/her contribution in the interview.

d. Interview Questions

Interview questions were set to answer the research questions and to achieve the above objectives. The questions set consisted of a combination of structured and open-ended questions. The structured questions control and focus on a limited scope of inquiry; while the open-ended questions allow the respondent to express ideas/views/opinion in his/her own way. The interview questions were translated into *Bahasa Melayu* for the purpose of the interview. The standard interview questions set were as attached. (See Appendices 5.4 and 5.5)

Analysis Plan

The strategy for data analysis is to follow the theoretical framework of an inter-organisational network and the networking activities (Chapter 4) that lead the case study. Three categories of data are expected to be collected in fieldwork. Data from the structured questions of the interviews was quantitative in nature, while qualitative data was obtained from the open-ended questions. Data from other sources was a combination of both quantitative and qualitative types. The approach to analysing each type of data category is planned as follows:

a. Quantitative Data from Interviews

Quantitative data collected from the interviews will be coded and input into a statistical analysis-computing package. Then data will be analysed using descriptive statistics, which includes mean, frequency and percentage of the events. In addition, the inferential statistics will be adopted to test the relationship between the background of owner-managers and their business, the network features and networking activities.

b. Qualitative Data from Interviews

Since the interview is conducted in *Bahasa Melayu* (Malay Language), the qualitative data will be analysed based on the original language. Then, the important meaning will be reported in themes and translated into the English language. This stance is taken to avoid the chance of losing important meanings during the translation process. The researcher needs to ensure that the data is in its original condition from the point of view of the interviewee and to avoid the original views being modified by transcribers during the translation process and that the interviews are transcribed verbatim. Then, data was coded and grouped in themes based on pattern-matching or maybe content analysis. The patterns of the themes were compared with the qualitative measures from the theory literature.

c. Data from other sources

Data from other sources was treated as evidence to support the findings. The relevant data may be extracted directly from raw data and applied to related cases in a triangulation process.

Conclusion

The procedures and case study protocol were used as guidelines to conduct this study. It was useful to enhance the higher quality of data collected during the fieldwork through the standard techniques and tools used. However, this case study protocol was kept flexible to accommodate some adjustment when possible.

Appendix 8

Fieldwork Schedule

Date	Activity
20 Jan to 25 Jan	1. Review the information about the cases: i. Background of the case areas ii. Tourism development in the case areas iii. Previous research and reports on the case areas 2. Networking for access to the case areas
27 Jan to 31 Jan	Conduct Pilot case: Location: Mersing District, Johor.
1 Feb to 23 Feb	Analyse and review the pilot case. Make adjustment to the interview guide for the actual cases where required.
24 Feb to 31 March	Conduct field interviews at the case areas: i. Pulau Perhentian and Besut, Trengganu ii. Cherating and Pulau Tioman, Pahang iii. Mersing, Johor
1 April to 14 April	Contingency

Appendix 9

Coding Framework Stage One

Coding Framework: Stage One Open Codes		
Definition	Master Code	Sub Codes
During the early years of the business	EY	
How the chalet business started		EY-HS
Problems faced during the early years		EY-PR
How the problem has been solved		EY-SO
Help from network in solving the problem		EY-HN
Owner-manager's views on networking	VN	
Reason for networking		VN-RN
Expectation from the network		VN-EN
What was actually obtained from the network		VN-AO
Factors considered for networking		VN-FC
Maintenance of network relationships		VN-NM
Type of networking (better impact)		VN-TN
How network improved business performance		VN-IB
Networking activities		VN-NA
Who gets what in the network		VN-WW
Network Problem		VN-NP

Coding Framework: Stage One Open Codes		
Definition	Master Code	Sub Codes
Critical incident associated with networking	CF	
Positive impact of the incident		CF-PI
Negative impact of the incident		CF-NI
How it happened		CF-HP
How it has been solved		CF-HS
Help network used to overcome the situation		CF-HN

Appendix 10

Coding Framework Stage Two

Code	Theme	Interview Numbers
EY-HS	FamBus- family business	5, 6, 8, 11, 12, 14, 28, 34, 35, 43
	Lifestyle	7, 27
	Own boss	9
	Raise income	37
	Courtesy	10, 20, 24
	Interest	11, 33
	Opportunity/potential	13, 15, 16, 17, 18, 19, 20, 23, 24, 27, 32, 38, 39, 40,42
	Related business	30
	Settlement	21
	Family matters	41, 42
EY-PR	Transportation	5, 16, 19
	Marketing	30, 40, 41
	Supplies - raw materials	5, 19, 33, 37
	Room supply shortage	21, 32, 42 43
	Financial	6, 8, 9, 11, 12, 13, 17, 23, 27, 21, 37, 38, 41, 43
	Basic infrastructure (water, electricity)	10, 13, 19

	Experience	35
	Being an outsider	14, 24, 32
	Personal	15
	Communication	16
	Economic downturn	22
EY-SO	Discuss with agent	5
	Rolling the money/do it slowly	8, 9, 18, 35, 38, 39
	From family	9, 12
	Local/natural resources	10, 12, 13
	Personal approach	30
	Be kind	14, 32
	Passion	15, 19, 24, 32
	Invest in radio set	16
	Networking	19
	Loan	28
EY-HN	Bank	5, 6, 17
	MARA scheme	5, 6, 11, 18, 37, 41
	Family (loan from family members)	6, 13, 27, 28, 38
	None (no information/idea)	10, 12

	Support from friends	15, 32
	Boat operator	19
	Supplier	33
	Agent	41
VN-RN	Credit facilities	6
	Facilities	7
	More ideas	10, 11, 16, 17, 27
	With local	33
	Networking	43
VN-EN	Reduce cost	5
	Facilities	7, 9
	Ideas/support	11, 12, 14, 17, 18, 37
VN-AO	Reduce cost	5
	Short term	7
	Credit and other facilities	10
	Help and support	12, 14
	Ideas/advice	17
VN-FC	Same interest	11, 12, 14, 17
	Childhood friend	11, 12, 16
	Old friends	27
	Trust	16, 18, 19, 35, 37, 40, 41
	Business associates	32
VN-IB	Trust/screen	18

	Al-quran	18
VN-NM	Offer-help (Two-ways)	17, 24, 27
	Informal discussion	18
	Take care of family	18
	Keep contact	19
	Meet	32
VN-NA	Training	5
VN-WW	Family - business matters	5
	Friends – social matters	5
VN-NP	Network management	7
CF-PI	Friends and clients	7
CF-NI	Death of spouse	6
	Monsoon	9, 16
	Outsider-sabotage	14
	Guest-drown	28
	Heart break	29
	Travel agent	40, 41, 42
CF-HP	Monsoon	16
CF-HS	Work harder	9
	Friends	16
CF-HN	Family	9
	Emotional on network	24
	History of Cherating	25

Appendix 11

Key themes that emerged from the empirical data

		Key themes
During the early years of business	How the chalet business started	Started from family business
		Lifestyle
		Want to be own boss and interested in doing business
		Courtesy
		Business potential and opportunity
		As part of debt settlement
		Family matters
	Problems faced during the early years of business	Transportation
		Marketing
		Supplies of raw materials
		Room supply shortage
		Financial
		Basic infrastructure
		Being an outsider
	How the problem being solved	Do it gradually
		Using local and natural resources
		Be kind and passionate
		Networking

Key themes emerged from the empirical data (continued)

During the early years of business	Help and support network	None
		Bank
		MARA (Development Agency)
		Family
		Friends
		Business network
Small chalet owner-manager's views on networking	Reason for networking	For ideas and opinions
		Credit and facilities
		Coordinating tourist activities
	Expectation from the network	To get facilities
		To get ideas and support
		To reduce cost
	What you actually get from the network	Ideas
		Help and support

Appendix 12

Interview transcript (Example)

	<p>Interview No 18 [REDACTED] (Tioman)</p> <p style="text-align: center;">Seksyen A</p> <p><i>Macam mana [REDACTED] boleh berminat untuk mulakan perniagaan chalet ini?</i></p> <p>Masa itu di sini ada 4 orang pengusaha: Salang Indah (pertama) di sini, kedua di Tioman (1980an), Salang Sayang, (anak saudara saya), Salang Damai, Salang Beach Resort. Saya yang ke lima.</p> <p><i>Macam mana boleh berminat?</i></p> <p>Saya sebenarnya tiada ilmu dalam perniagaan dan tak ada cita-cita sebenarnya. Di Salang ini saya tengok pelancong semakin bertambah bertambah, Mat Saleh, kadang-kadang tak cukup. Saya buat kediaman di sini, tanah emak. Selalu bila datang kerja, pelancong luar negeri yang walk-in masuk tanya bilik. Dari situ, semangat ada bila tengok orang datang bertanya.</p> <p>Pertama sekali tahun 1990. Saya cuba bincang dengan abang saya, saya cuba nak berniaga. Selepas 6 tahun memerhati. Bincang dengan abang untuk buat pinjaman. Saya cuba bank Pembangunan tapi malangnya di tolak. Saya pohon RM30-50 ribu. Bank yang nak tolong orang yang sudah berjaya Walaupun dalam pamphlet kata nak tolong orang baru. Saya terasa putus asa bila ditolak.</p> <p>Akhir tahun 1990 MARA beri peluang untuk anak tempatan boleh pohon untuk projek MARA. Saya projek yang kedua di Tioman. Yang pertama di Kampung Tekek. Saya pohon atas nama isteri, abang, kakak, adik ipar saya (4 nama). Dulu kawasan ini banyak pokok kelapa. Waktu itu kita bergantung juga kepada kelapa kering selain nelayan. Akhir tahun 1990, bersihkan tapak habis juga RM1000 hingga RM2000 upah).</p> <p>Harga kelapa pun jatuh. Dari 12 buah pada April 1991. Pada masa itu bermodal RM700 untuk dapatkan perabut. Minta <i>recommend</i> dari Pak Long Bidin (Salang Indah) untuk dapatkan kredit RM2000 lebih untuk beli perabut. Mula berniaga orang tak kenal, jadi saya berusaha dengan menggunakan usaha sendiri. Buat kerja sendiri dengan isteri untuk jaga kawasan ini. Mulai Mei tahun itu adalah orang datang sikit pada masa cuti sekolah. Saya buat sendiri jambatan kayu buruk, buat <i>sign board</i> atas nama [REDACTED] masa itu. Bahasa Inggeris pun tahu sikit-sikit saja. Dari 12 buah, akhir 1991 dengan doa dan usaha suami isteri, saya tambah <i>long house</i> 3 biji (<i>dorm</i>).</p>	<p>EY-HS- Opportunity</p> <p>EY-HN- MARA</p> <p>VN-IB- Trust</p> <p>VN-FC-Trust</p>
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	<p>Setiap tahun saya tambah dari hasil jualan bilik. Saya mula buat yang berhawa dingin dan baik sikit sebagai cubaan 2 buah. Saya beli bot untuk beli barang sendiri di Mersing. Sehingga sekarang ini pun saya tambah seytiap tahun dan <i>up-grade</i> mana yang patut. Alhamdulillah sampai sekarang jadilah macam ni.</p> <p>Saya buat pinjaman RM70000 untuk restoran , 1996 saya dirikan kedai. Saya jaga duit. Oklah. Saya tak buat promosi. Cuma saya ada rangkaian kawan-kawan. Kawan-kawan saya adalah yang datang ke sini. Pelancong yang datang ke sini, saya layan dan jaga dia hingga dah kenal. Banyak buat kerja sendiri, Buat <i>maintenance, contact</i> dengan mereka.</p>	<p>EY-HS-Rolling</p> <p>EY-Formal Network-Business Expansion</p>
	<p>Seksyen D</p>	
Q	<p><i>Apa yang menyebabkan [REDACTED] sertai rangkaian tersebut?</i></p>	
A	<p><i>Tujuan kita yang pertama sekali untuk memajukan perniagaan kita dan majukan kamapung kita. Jadi banyak yang kita bincangkan apa masalah yang patut kita buat dalam perniagaan.</i></p>	<p>VN-EN-Support</p>
Q	<p>Setakat ini kita harapkan sama-sama bagi pendapat?</p>	
A	<p>Ya</p>	
Q	<p>Ada dia orang bagi nasihat , bantuan, idea?</p>	
A	<p>Walaupun saya baru berniaga , tapi orang bagi idea untuk saya tiada. Mungkin dia orang fikir kita lebih maju dari dia, baru, tapi mengatasi dia orang. Tak saya selalu minta pendapat. Banyaknya dari pelangganlah.</p>	
Q	<p><i>Macam mana [REDACTED] jaga hubungan dengan rangkaian perniagaan tadi?</i></p>	
A	<p>Perbincangan tak secara formal, hubungan teruskan silaturrahim macam biasa yang mana tak betul kita tegur. Saya banyak bercakap dan suka menasihati dan berterus terang.</p>	<p>VN-NM- Informal Discussion</p>
	<p>Seksyen F</p>	
Q	<p><i>Ada tak berlaku apa-apa kejadian yang berlaku berkaitan dengan rangkaian kawan-kawan yang beri kesan kepada perniagaan?</i></p>	
A	<p>Memang ada. Mesti ada cabaran dan halangan. Kita kena cari macam mana cara nak selesaikan cabaran dan masalah.</p>	
Q	<p>Boleh cerita salah satu kejadian yang beri kesan besar?</p>	

A	Kesan yang besar tu tak ada lah. Cuma saya yang selalu membuat teguran. Saya bercakap berpandukan Al Quran. Jadi, tak adkan jadi bergaduh.	
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Q A	<p><i>Ada apa-apa nak buat kesimpulan berkenaan dengan rangkaian kawan dalam perniagaan?</i></p> <p>Perniagaan dalam perlancongan berbeza dengan berniaga yang lain. Sebab kita berniaga orang yang boleh bergerak, bercakap. Banyak masalah yang kita hadapi. Yang penting adalah kesabaran dan saya berpegang <i>customer</i> itu sentiasa benar. Walaupun dia salah, kita anggap dia benar, kita minta maaf atau <i>sorry</i>.</p> <p>Kemudian usaha gigih penting dan doa, kejujuran dan amanah diri Kita, orang lain. Bersyukur, ikut undang-undang alQuran. InsyaAllah berjaya. Kalau ada masalah akan tak jadi masalah.</p> <p>Inni pengalaman saya sendiri. Jangan cepat nak jadi tokeh. Jangan salahgunakan duit. Bayar balik semua kredit dan <i>supplier</i>. Selepas itu ikhlas, jaga ibubapa dan keluarga.</p> <p>Macam saya ini peniaga kecil. Untuk saran hidup itu, alhamdulillah. Saya Cuma belajar ilmu perniagaan semasa berniaga. Terima kasih dari pelanggan yang beri sokongan yang recommend, tulis dalam buku dan hantar pelanggan baru.</p> <p><i>Terima kasih banyak [REDACTED] atas maklumat yang diberikan untuk penyelidikan ini.</i></p>	<p>VN-IB- Undang-undang VN-NA-settle credit VN-NM- family</p>
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Appendix 13

Table 6.1: Interviews at the case areas

Case Area	Respondents		Count	
	Manager	Owner- manager		
Pulau Tioman	3		11	14
Cherating	3		5	8
Marang	3		0	3
Pulau Perhentian	6		6	12
Total	15		22	37

Table 6.2: Background information of the chalet owner-managers

Background	Count	%
N=37		
Gender:		
Male	30	81.1
Female	7	18.9
Owner-managers' origin		
Local		
Outsider		
Age bracket		
Below 30 years old	7	18.9
Between 30 and 40 years old	17	45.9
Above 45 years old	13	35.2
Marital Status		
Single	11	29.7
Married	26	70.3
Number of Children (N=26)		
0	2	7.7
1 to 2	8	30.8
3 to 5	13	50
6 and above	3	11.5
Education Level		
Primary School	10	27
Secondary School	21	56.8
Technical School	3	8.1
College	3	8.1
Occupation (Past)		
Family Business	8	21.7
Hotel and Travel Agency	3	8.1
Boatman/Fisherman	5	13.5
Armed Forces	3	8.1
Farmer/Self-employed	5	13.5
Carpenter/Goldsmith	2	5.4
Builder	2	5.4
Draughtsman/Technician/Boilermaker	4	10.8
Other	5	13.5
Training Received		
No training	17	45.9
Entrepreneurship	13	35.3
Front Desk	1	2.7
Motivation	1	2.7
Restaurant	1	2.7
Tourism	1	2.7
Basic business	1	2.7
Craft	1	2.7
Guiding	1	2.7

Table 6.3: Characteristics of chalet firm

Feature	Count	%
Year in Business		
5 years or less	11	29.7
Between 6 and 10	11	29.7
Between 11 and 15	8	21.6
16 or more	7	19.0
Number of Chalet Units		
10 or less	6	16.2
Between 11 and 25	20	54.1
Between 26 and 50	8	21.6
51 or more	3	8.1
Number of Employees		
5 or less	21	56.7
Between 6 and 10	11	29.8
11 or more	5	13.5
Family Members in the Workforce		
0	3	8.1
Between 1 and 5	22	59.5
Between 6 and 10	9	24.3
11 or more	3	8.1
Work Hours		
Less than 8	1	2.2.7
Between 8 and 12	30	81.1
More than 12	6	16.2
Source of start-up capital		
Personal saving	13	35.1
Loan from financial institution	5	13.5
Family fund	9	24.4
MARA special scheme	8	21.6
Personal saving and loan	2	5.4

Table 6.4: Type of the networks

Membership with Formal Association (N=33)	Yes Count	Yes %	No Count	No %
Trade Association	0	0	37	100
Chamber of Commerce	1	2.7	36	97.3
Tourist Association	15	40.5	22	59.5
Marketing Consortia	4	10.8	33	89.2
Supplier Links	2	5.4	35	94.6
Political Organisation	10	27	27	73
Social Club	7	18.9	30	81.1
Sport and Recreation	1	2.7	36	97.3
Other Association	3	8.1	33	91.9
Business Ties with Informal Association				
Family	34	91.9	3	8.1
Friends	21	56.7	16	43.3
Relatives	13	35.1	24	64.9
Business Associates	12	32.4	25	67.6
Government Agencies	21	56.7	16	43.3
Banks	13	35.1	24	64.9
Customers	10	27	27	73
Suppliers	6	16.2	31	83.8
Help Sought Network				
Family	31	83.8	6	16.2
Friends	16	43.3	21	56.7
Relatives	9	24.4	28	75.6
Government Agency	19	51.3	18	48.7
Business Associates	5	13.6	32	86.4
Bank	9	24.4	28	75.6
No. of Business Contacts (in last 12 months)				
Between 1 and 5	21	56.8		
Between 6 and 10	11	29.7		
More than 10	5	13.5		
Features of Business Network Contacts				
Gender - Male	110	73.8		
Female	39	26.2		
Race - Malay	147	98.7		
- Other	2	1.3		
Relation - Spouse	12	8		
- Family Members	64	43		
- Friends	28	18.8		
- Relatives	32	21.5		
- Business Associates	7	4.7		
- Others	6	4		
Occupation of Business Network Contacts				
Partner	36	24.2		
Chalet Owner	20	13.4		
Staff	32	21.5		
Other Business People	16	10.7		
Government Officer	9	6		
Boatman	5	3.4		
Restaurant/Café Staff	7	4.7		
Activity and Souvenir Shop Staff	4	2.7		
Finance Agency Staff	2	1.4		
Supplier	3	2		
Others	15	10		

Table 6.5: Business Networking

Aspect of discussion in the meeting	Count	%
Financial Matters	20	13.4
Chalet Management	27	18.2
Business Operation	24	16.1
Co-Ordination	6	4
Advice and Ideas	13	8.7
Services	5	3.4
Other than business aspects	54	36.2
Time and length of meeting		
1 x per month	10	27
2 x per month	13	35.1
3 x per month	1	2.7
4 x per month	9	24.4
More than 4 x	1	2.7
Undecided	3	8.1
1 hour per month	13	35.1
2 hours per month	17	45.6
3 hours per month	0	0
4 hours per month	3	8.1
More than 4 hours per month	1	2.7
Undecided	3	8.1
Meeting Place for networking		
At the owner-manager's house	10	27
At the chalet office	12	32.5
Restaurant or cafe	4	10.8
Somewhere local	4	10.8
Elsewhere	3	8.1
By telephone call	1	2.7
Undecided	3	8.1
Distant of Journey Made		
Less than 10 km	4	10.8
10 km and farther away	4	10.8
No travelling involved	26	70.3
Undecided	3	8.1
Spending on Meetings		
Amount Spend RM50 or less	13	35.1
More than RM50	4	10.8
None or in kind	20	54.1
Type of Spending		
Meals	16	43.2
Entertainment	1	2.7
None or in kind	20	54.1
Value of Spending		
Worth	5	13.5
Not worth	1	2.7
Undecided	31	83.8

Table 6.6: Benefit of Networking

Benefit	Yes		No		Undecided	
	Count	%	Count	%	Count	%
Bigger Market	2	5.4	32	86.5	3	8.1
Sharing Costs	0	0	33	89.2	4	10.8
Reducing Risks	0	0	33	89.2	4	10.8
Credit and Discounts	5	13.5	28	75.7	4	10.8
Increased Sales	7	18.9	27	73	3	8.1
Sharing Knowledge	17	46	17	46	3	8
Improving Performance	10	27	24	64.9	3	8.1
Impact of Networking to Owner-manager						
Friendships and relationships	2					
Advice on particular matters	1					
Get new ideas	1					
Improve in way of conducting business	1					
Positive impacts on business			1			
Convenience in seeking for help						

Table 6.7: Social network features

Features of Social Network Contacts	Count	%
Gender - Male	130	80.7
Female	31	19.3
Race - Malay	154	95.6
- Other	7	4.4
Relation - Spouse	6	3.7
- Family Members	29	18
- Friends	87	54
- Relatives	28	17.5
- Business Associates	11	6.8
Occupation of Social Network Contacts		
Partner	6	3.7
Chalet Owner	22	13.7
Chalet Staff	7	4.3
Other Business People	16	10
Government Officer	13	8.1
Boatman	6	3.7
Restaurant/Café Staff	7	4.3
Activity and Souvenir Shop Staff	7	4.3
Supplier	3	1.9
Private Company (Non-Tourism)	9	5.7
Self employed and housewives	25	15.5
Tour guide and travel agent	5	3.1
Boatmen	6	3.7
Other	29	18