

Challenges Faced by Micro, Small, and Medium Lodgings in Kelantan, Malaysia

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ABSTRACT

The primary objective of this study is to identify the unique business characteristics of micro, small and medium (MSM) enterprises as well as to address issues and challenges faced by these enterprises in the hospitality and tourism business. This exploratory study employed semistructure face-to-face indepth interview methods for data collection. A total of 11 enterprises in Kelantan, Malaysia participated in the study. Nvivo was employed as a tool to analyse the data. The findings imply that MSM enterprises suffer from several obstacles such as financial constraint, high taxes, lack of state government support, the successor replacement and others. The study provides discussions on how hospitality and tourism enterprises can address the challenges faced by their business.

Keywords: Micro, small and medium sized enterprises, hospitality enterprises, Kelantan, Malaysia

INTRODUCTION

Both developed and developing countries have used tourism for various reasons, ranging from the economics to the political. This can be explained by the nature of the countries' internal social, economic and political conditions. Developed countries, for example, have used tourism primarily to tackle problems with regards to issues in employment as a result of de-industrialisation, while developing countries have diverse reasons to use tourism as a strategy towards development. Developing countries have used tourism to generate highly sought after foreign exchange to address the problems of trade imbalance many of them are facing. In many cases, tourism has been one of the biggest contributors to the local economy. Apart from this, tourism has been used as a mechanism to co-integrate and unite countries that have multi-ethnic population. It is also used as a platform where

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public money is invested in order to enhance the socio-economic wellbeing of deprived local population. The propagation of tourism is another method of trying to achieve international status. The status symbolises the country's ability to stand on the global stage.

Malaysia, meanwhile, has been treating tourism as one of the important growth strategies in the country's quest for economic advancement. The falling of commodity prices experienced by Malaysia in particular, injected a new lease of life into tourism so as to allow the country sustain its economic growth (Jabil *et al.* 2008). Table 1 shows that tourist arrival in Malaysia have increased in leaps and bound, recording 23.6 million arrivals in 2009. Arrivals in 1980 were a mere 2.06 millions.

Table 1 Tourist arrivals and tourism receipts in Malaysia.

Year	Arrivals	Receipts (RM million)
1980	2.06	618.9
1985	3.10	1,543.1
1990	7.44	4,500.0
1995	7.46	9,174.9
2000	10.2	17,335.4
2005	16.4	31,954.1
2009	23.6	53,367.7

Source: MTPB (2010).

KELANTAN AT A GLANCE

The micro, small and medium enterprises (MSMEs) contribute significantly to the tourism industry in Malaysia. The combination of the MSMEs workforce has become significant in developing the competitive advantage of tourism industry in Malaysia. Among the states which depend excessively on the MSMEs is Kelantan. Kelantan is considered as one peripheral area in the east coast of peninsular of Malaysia. (see figure 1). Despite its location away from the centre of attractions of Peninsular Malaysia, Kelantan is well known for its natural environments and distinctive cultural heritage which have influenced the development of the tourism industry in terms of generating local economy (Marzuki *et al.*, 2011). Kelantan is famous for its Malay culture, traditional arts and crafts as well as its firm Islam religion practice. Main economic activities for Kelantan originated from agriculture fields such as paddy, rubber and tobacco produce. Other secondary activities are mainly arts and craft oriented such as batik painting, songket weaving and other craft related activities. Recently, tourism industry has become one of Kelantan's major income generators. Tourism in Kelantan is still in its infancy stage where it offers natural beauty and cultural uniqueness in its way as compared to other states. Moreover, Kelantan is rich in its Malay culture.

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Based on the State Government data, tourist arrivals had increased from 201,000 in 1984 to 1.2 million in 1995 and 4.27 million in 2004 (Statistik Kerajaan Negeri Kelantan, 2007). The income from the tourism industry to the State Government was around 8% per year during that period. While tourism in Kelantan is growing in importance, not all MSMEs capitalise on the potential opportunities it provides and not all have shown efforts to market their enterprises effectively. Despite the concerted effort made by the Malaysian government in developing MSMEs size hospitality and tourism based enterprise; the progress made by these MSMEs is still far-fetched from where it is planned. The primary concern of this study is to address the gap in the MSMEs literature. The paper has two main objectives. The first objective is to examine the unique business characteristics of MSMEs accommodation enterprises in Kelantan. The second objective is to explore the unique issues, problems and challenges faced by these enterprises in supporting tourism development in Kelantan.



Figure 1 Kelantan, Malaysia

DIVISION IN TOURISM OPERATION

From a broader perspective, most studies on the tourism industry ignore the existence of two divisions within the industry, the micro, small and large businesses. Moreover, focus was given towards the latter. On the other hand, the tourism supply side is predominantly filled with Small-Medium Scaled Enterprises (SME) which employs less than 10 staff (Komppula 2009). Sheldon (1986), for example, contends that there are many small but few large tour operators in the United States. These tour operators packaged their tourism products and sell them either directly to the tourists or through retail travel agencies in the original markets.

While the studies of small enterprises in the manufacturing industry are widespread, studies of their counterparts in the service industry, particularly relating to tourism, are sparse. Entrepreneurs from the small tourism-related enterprises contribute to raising productivity, the dispersal of the economic power base through industry ownership, creating employment, commercialising innovative products and creating new markets. In the same vein, Zane (1997) argues that the bed and breakfast sector can benefit a small community where the lack of large hotels has seen the sector employing formerly unemployed people such as the housewives and single parents.

Thus, small enterprises can fill in the void posed by larger, more bureaucratic organisations such as Multinational Corporations (MNCs), particularly when the former can respond more effectively to changes in marketplace, partly due to their flexibility in moving to new sources of demand (Echtner, 1995). However, small enterprises are more often than not relegated to the spot behind the more salient large enterprises. For example, in the context of enclave tourism Shaw and Shaw (1999, p. 76) contend, "... the reality of enclave tourism is that local people and informal enterprise are relegated to a marginal 'other', occupying the diminishing space of the public beach, vacant plots between hotels and the few restricted enclave exits". Moreover, micro enterprises which are often included within the grouping of small and medium sized enterprises and not research explicitly (Robert and Wood, 2002).

CHARACTERISTICS OF MSM TOURISM BUSINESS

There is no specific definition of small tourism business other than a multitude of guidelines used by researchers to serve their own purposes. The definition given by the UK National Survey of Small Tourism and Hospitality Businesses (Thomas *et al.*, 1997), which represents a fusion of the European Commission's accounts of small businesses, for example, delimits small tourism and hospitality enterprises as those who employ ten to forty nine people, while very small or micro-small enterprises as those employing fewer than ten employees and are often family business, which acquires regular staff of only 1 to 3 persons (Philp, 1998).

In a different perspective, some researchers utilise the term "small", while some use "informal" in their research work so as to fit the objectives and scope of

their work. For example, Shaw and Shaw (1999) attribute informal enterprises as those that include mobile hawkers, tee-shirt sellers, shell vendors and masseurs. From the consumption perspective, Cohen (1972) postulates that the informal and formal sectors of tourism business are encompassed by institutionalised and non-institutionalised tourists who are served by different types of suppliers. Cohen contends that the former is produced by, amongst others, international standard hotels, tour companies and major airlines, and hence is largely associated with tourists who have more money at their disposal. The latter represents tourists who have less money.

Wahnschafft (1982), on the other hand, considers tourism informal sector as involving hawkers, street vendors, prostitutes, craftsmen, etc., while the formal sector as those of tourism accommodation, restaurants, recreation centres, souvenir shops, etc. Meanwhile, Michaud (1991) defines informal sector as small hotels, guesthouses, hawkers, etc., while the formal sector consists of large hotels and restaurants. Kermath and Thomas (1992) on the other hand, describe informal sector as street and beach vendors, while the formal sector as consisting of the other establishments. Michaud (1991) and Kermath and Thomas (1992) argue that since both the informal and formal sectors do not mostly occur in the same tourist resort, most studies on specific resort areas would most likely expose one sector, and it is most likely that they revolve around the formal sector. Hence, the study of informal or small tourism businesses and their role in the tourism economy of destination area is largely neglected.

In this study micro, small and medium-sized enterprises are defined according to their number of employees. A micro-sized enterprise is defined as an enterprise which employs less than 5 full time employees. Small enterprise is defined as an enterprise which employs between 5 and 19 workers whereas medium-sized enterprise is defined as an enterprise which employs between 20 and 50 workers (see table 2).

Table 2 Summary of characteristics of MSMEs

Type of enterprise	Number of employees
Micro	Less than 5 employees
Small	Between 5 & 19 employees
Medium	Between 20 & 50 employees

Source: Malaysian SMEs

METHODOLOGY

The purpose of this study is to examine the unique business characteristics of MSMEs and to analyse the problems and challenges faced by MSE enterprise in Kelantan. The current study is focusing on specific MSMEs segment that

is accommodation sector as this sector is the biggest contributor to the tourism economy. The researchers chose a qualitative approach for this exploratory and interpretative study, using semi-structured face-to-face in-depth interviews. Kelantan state was chosen as the area for data collection due the specific reason mentioned earlier. A total of 11 MSMEs practitioners who are mostly owner-managers and final decision makers on management practice from Kota Bharu, Tanah Merah, Gua Musang and Tumpat have been selected based on their willingness to participate in the study. During the interviews, detailed notes were taken and all interviews were recorded and subsequently transcribed. Nvivo software was employed as a tool to analyses the collected data. . In regards to this, the duration of these interviews was minimized whenever possible to about a 30-minute time frame and maximized to about 1 hour 40 minutes. To ensure anonymity, the respondents names would not be disclosed (they are only marked as respondent 1, 2 and 3). Table 3 shows the demographic characteristics of the respondents.

Based on the table, it was found that the distributions of the number of MSMEs are almost equal except for small enterprises which accounted for more than half of the sample. There were 3 micros, 5 smalls and 3 medium enterprises participated in the study. Among the participating MSMEs, almost half of the respondents are the hotel owners themselves and the other half is the hired managers who run the hotels. It was also discovered that nearly half of the MSMEs do not have ownership status on the land where the business are operated as well as the building of the business. Moreover, based on the table, it is evidence that most of the hotel managers of small to medium sized hotels are college or university graduate students as compared to micros enterprises managers.

FINDINGS AND DISCUSSION

Unique Business Characteristics of Micro, Small and Medium Size Accommodation Enterprises

The size variation has provided numerous differences in term of practices among the MSM accommodations enterprise. The following discussion is based on several themes which highlight major distinctions among the accommodations in Kelantan.

Business Ownerships and Capital

Many of these small tourism-related enterprises are individually and family owned businesses (Shaw and Williams, 1987, Williams *et al.*, 1989, Weaver, 1991, Mackun, 1998). For example, Williams *et al.*, in their studies of the Isles of Scilly's direct or indirect tourism-related businesses, of which a majority of them were small, such as in the accommodation, retailing and restaurants sectors, where it was found that 85% of businesses were held by single individuals. A similar trend was also

Table 3 Demographic characteristics of the respondents

Practitioners/ respondent	Respondent position	Number of employee	Number of room	Land status	Building status	Respondent age	Respondent education background
(1)	Hotel owner	- (Assisted by his wife and daughter)	23	Self owned	Self owned	56 or more	Secondary upper
(2)	Motel owner	1	23	Rent	Rent	56 or more	Secondary upper
(3)	Hotel manager and one of the owners.	2	20	Rent	Rent	56 or more	Secondary upper
(4)	Hotel manager	5	28	Rent	Rent	26 -35	College/University
(5)	Rest house owner	5	18	Self owned	Self owned	46 - 55	Secondary upper
(6)	Hotel owner	10	31	Self owned	Self owned	56 or more	Secondary upper
(7)	Chalet manager	16	33	Government owned	Government owned	26 -35	College/University
(8)	Operation manager	19	31	Self owned	Self owned	36 -45	College/University
(9)	Hotel manager	23	28	Rent	Rent	46-55	College/University
(10)	Hotel manager	42	79	Rent	Self owned	36 -45	College/University
(11)	Hotel manager	40	66	Rent	Rent	46 - 55	Secondary upper

discovered in several British tourist destinations (Shaw and Williams, 1998). Many small tourism-related enterprises in Cornwall were owned by individuals (Weaver, 1991). Weaver (1991) on the other hand, argues that the pattern of ownership is extended in larger enterprises. Professional business partners owned substantial numbers of large enterprises, although there were some individuals who joined forces with business partners and a few individuals. Similar trend were also found in Kelantan where, more than half of the MSM enterprise operators are the business owner. Accordingly, these enterprises raise their own capital for the business.

Another feature of these small enterprises is that their formation is underpinned by varied sources of capital (Stallibrass, 1980; Shaw and Williams, 1990), ranging from personal or family savings to commercial loans. The sector is characterised by low levels of capital investment, and the main source of capital is personal and family savings. Shaw and Williams (1990) contend that 50% of small business entrepreneurs used personal and family savings as the main sources of capital in their studies of tourism-related businesses in Cornwall. Commercial loans from banks, building societies or financial institutions play a minor role, although they were often used in conjunction with personal or family savings (Shaw and Williams, 1987). Largely in Kelantan, the normal practice done by these microenterprises is utilizing their revenue to expand or do relevant activities to enhance business ventures. Evidence from the interviews highlighted that micro, small and medium accommodation enterprises are both facing problems in raising capital in managing their accommodation business. This has given them many challenges and contributed to various problems. This is evidence in the following statement:

“My intention, I want to buy that building, but the problem is, I have financial constraint and it is difficult to get any loan from the bank because they thought hotel business is not good and furthermore, the bank thinks that I can't afford to pay back the loan...” (Respondent- 5)

The owner plan to extend the business by purchasing the building but due to the capital and financial limitation, the growth plan becomes impossible. He approached several banks, however, the result were the same, where the bank did not see the viability of his micro enterprise. According to him:

“All banks are the same, they don't see for long term! I had explained our cash flow, they still didn't believe that we can pay; they still refuse to give us loan. I did told them I used to run the hotel with only 6 rooms with my very own money, but now I have 18 rooms. I argued but the credit officer yet didn't get it!” (Respondent- 5)

Hence, due to lack in capital and no support from respective agency, future plan for growth by micro enterprises faces difficulty. Limited access to formal credit from the bank becomes major constraint to the micro and small enterprises.

In similar vein, another micro owner enterprise (Respondent- 3) where the business operates based on partnerships of 10 shareholders mentioned that;

“I have rented the hotel building since 1993. But we can’t make an agreement to rent the building for a long term duration because the owner of the building kept on mentioning that he wants to sell the building. We want to buy the building, but the price is too expensive and we don’t have enough money to buy it” (Respondent- 3)

Clearly, the owner has articulated his intention to purchase the building, but capital constraint has become major problem to the business. The fact that the hotel only has 20 rooms but shared by 10 shareholders signals that capital is a major weakness that holds back the expansion of the micro business such as this hotel.

Comparable to micro enterprises, some small hotels also faced financial difficulties. Hotel 4 is owned by 4 members who raised their own capital to run the hotels. However, they are not able to improve the current condition of the hotel due to financial predicament. According to the manager:

“Currently, we do not have enough capital, we use the money from room sales to roll it, and in case if we do not have enough money for rolling, our boss will add his money” (Manager Hotel 4)

On the other hand, it is evidence from the interview that majority of the medium enterprise has less limitation in putting up capital. Hotel 9’s manager admitted that all financial capital is wholly provided by the owner of the hotel.

Building Ownership and Land Status

In line with past literature on small tourism-related enterprises, majority of these micro and small size accommodations do not own the land and the building. The possession of building and land is very much related to the issue of capital as well as ownership status.

“The land and building status for this business is rental. That is problem for us because we only owned the business but not the properties. It was previously under the old owner with no limit on contract period for rental. But now, when a new owner comes into the picture, they introduce new agreement where we have to renew the contract every three years” (Respondent-3)

It appears too that many shareholders of business establishment resulted in the business do not own the property where the business is operated, hence, the property has to be rented. Perhaps the assumption here is that with so many opinions of shareholders with a small amount of capital not much can be done to purchase a premise. Only a handful of small accommodations enterprises own the building

and land. Those who own both land and building are the ones who are financially strong and possess other businesses elsewhere. The accommodation enterprise is among one of their business entities.

On the other hand, most of the medium sized accommodation operators owned their land and building. For example, according to the hotel 11 manager, the hotel land belongs to the Kelantanese royalty but later was awarded to the current owner (Respondent- 11). Similar to the other hotels, hotel 7 also is fully owned by the owner who holds 100% shares of the company.

Level of Product and the Service Provided

The provision of basic services in accommodation sector is vital for any accommodation businesses. All MSM enterprises provide rooms as basic services. Due to small capital availability, majority of micro and small accommodation enterprises are unable to mobilise the capital in terms of providing extra services to the hotel customers. Moreover, according to these micro and small operators, dine-in restaurant do not really attract the hotel guests because the sensation of Kelantanese cuisine is more appealing to these guests especially among the domestic tourists. One owner revealed,

“the service that we provide here is only accommodation, no food and beverages offered because the customers prefer to go to nearby restaurant where they can try Kelantanese local dishes and they are cheaper!” (Respondent –6)

Kelantan is well known and is very famous for its delicacies that cannot be easily found elsewhere. Moreover, it provides attractive and cheap food which actually becomes one of the key factors why domestic tourists come and visit.

In contrast, medium enterprise regards basic services as more than room provision but also food and beverage and others. To them, provision of foods can be a major income to the establishment. Besides food supply, some of the medium size enterprise also provides other services such as the seminar/meeting room facilities as well as banquet facilities. A small number of medium enterprises are concern with services provided where according one of the managers:

“we give special focus on how to upgrade our accommodation, meeting hall, food and so on to make sure our customer satisfy with our products and services and to make our product and services more attractive and all facilities in good condition; we also have to consistently make changes or update all the facilities because customer always change; this will help us increase our revenue” (Respondent – 11).

Similar to hotel 11, besides operating 79 hotel rooms, hotel 10 runs a small restaurant and a few meeting rooms in the attempt of increasing services at their

hotel. Besides these facilities, the hotel also provides a prayer room for the Muslims, complete with prayer mats.

Interestingly, the types of product and services provided by these three enterprises are comparative to the amount capital that they have. Micro and small enterprises are running on small capital where they can only afford to provide basic accommodation that is the rooms, whereas medium size with bigger capital is operating on a bigger scale like proper hotel establishment which extends their level of services beyond rooms provision.

Training Provision

With respect to training, it appears that there are mixed opinion towards the importance of training perceived by both the micro and small enterprises. However, in general, the levels of awareness at micro and small enterprises are relatively good which is comparable to medium enterprises. One of the micro owners for example admitted that he regularly attended the courses conducted by hotel and tourism associations. He also sends out his staff for training (Respondent- 3).

Despite reasonable understanding on the importance of training, however, there are micro enterprise owner who did not attend any training courses as he found that it not suitable for the enterprise since according to him, he has acquired all the basic knowledge to run the business. He attended the training years back which to him is more than sufficient. Similar case happens to one of the small enterprises (Respondent- 5), where the owner claimed that he never sent his staff for training.

“No formal training was provided for them. I conducted the training by myself through my experience. I had experience since 1989”.

The owner felt that his own experience running the small business is more than sufficient to enable him to conduct his own training.

Similar to micro enterprises, the owners of small enterprises also recognised the importance of training by sending their staff to attend the courses.

“We sent our staff for housekeeping training, but we have yet to send the receptionist for training” (Respondent- 4).

Another small enterprise (Respondent- 7) also reported the same situation where they only send their people for housekeeping training.

However, some of the medium enterprises appear to give more attention to train their staff where some of them have regular training conducted internally. This situation reflects a normal operation done by a typical hotel with a star rating.

“At our resort, we conduct internal training; we have our sector head in-charge for every department. In the restaurant for example, we have training at least 5 training sessions in a month. That is compulsory

training, and the same goes to housekeeping department, 5 is a must but 6 would be better” (Respondent- 10).

The management realised that training is a critical component in making sure that the enterprise can run smoothly. He further stressed that the resort also make a placement of their people outside for training especially the front-liner. According to him,

“we send our people outside to provide exposure, we want to develop and groom our people; we normally send to another hotel for at least 2 weeks so that they will learn new things and see what is happening in the outside world”.

The management is aware with the current situation, so they pro-actively adopt a practice to send over their staff to other hotels so that the staff could learn and bring something good for the operation of the hotel. Another important thing that the management is concern with is the opportunity for the staff to be more resourceful to the current needs of the market, where they believe that outside training can induce creativity among the staff, which later bring new changes to the resort.

In similar vein, another medium size enterprise (Respondent- 11) also believed in internal training. According to the hotel manager, most of the training that he received was in technical side. He also maintained that majority of the staff were recruited based on their previous experiences in the services industry such as hotels, restaurants, and retail outlet. Due to the diversity of the staff, therefore they conducted their own training. He said

“we train our own people; our people from various background train our own people”.

This has shown that internal training has a special place in the medium enterprises in Kelantan.

Instead of sending their staff for basic hotel operation training, the management also send the employee for other training such as language training. One of the hotel manager (Respondent- 9) claimed that she regularly send her staff out for English courses. The training is also critically important for the hotel as it will add value to both staff and hotel especially when dealing with the foreigners.

Marketing Strategies

Attracting and keeping the customers has always been one of the main concerns for any enterprises in hospitality and tourism industry. Marketing is seen as the most useful weapon to sell the enterprise to the customers if the enterprises are to sustain the market. Almost all interviewees agreed that marketing is vital for the sustainability of their enterprises. Regardless the size of the enterprise, they have

the same opinion about the importance of marketing, in particular, advertising their organisation the customers. Facts gathered from extensive interviews have provided evidence that these enterprises believed that different marketing techniques should be applied to attract the customers, but most of them reported that the word of mouth (WOM) is the most successful marketing strategies which bring the customers back to their business.

According to one of the owner of micro enterprise (Respondent- 2) brochure is seen as more effective as compared to other techniques. Every guest will be supplied with a copy of brochure. Normally, the guest will give the brochures to their friends and relatives who intend to visit Kelantan. On the other hand, another micro enterprise believed that word-of-mouth recommendation has been successful in marketing his hotel so far (Respondent- 3). The owner said,

“For the promotional part, basically, we give business card, we do advertise in the internet under tourism website, but we don’t have our own website. Our main promotion strategy is word of mouth”

Similarly, small enterprises also depend on word of mouth to promote their hotels. One of the hotel managers (Respondent- 4) claimed that most of the hotel customers are returning customer.

“Majority of Hotel 4 customers are our returning customers and they will bring new customer along when they visited for the next time”.

In similar vein, another small hotel (Respondent- 5) depends heavily on WOM recommendation. According to the owner, personalisation in terms of great communication with the guest are important in bringing them back to the business.

However there is a hotel (Respondent- 8) which applies various promotional strategies rather than relying on WOM alone. According to him,

“we do plan a proper marketing strategy; we always promote our hotel through exhibitions such as Matta Fair and other local affair. We also consistently do promotion using Kelantan’s Tourism Information Centre (TIC) channel”.

However, he maintained that WOM recommendation is the main strategy applied by his hotel besides other promotion. He further added that, the promotions are not done extensively except within Kelantan through the electronic media and the local radio stations. He firmly believed that the customers from outside Kelantan heard about the hotels through WOM recommendation.

Accordingly, Tourism Information Centre also seems to play an important role in promoting hotels in Kelantan. Besides hotel 8, hotel 7 also relies on TIC to promote their existence in addition to other methods such as signboard on major roads, social networking web such as the Facebook and brochures.

Besides WOM recommendation, some of the small hotels also consider other method of promotions such as posting big banner (Respondent- 4) in front of the hotel as well as using BlogSpot. Another small hotel (Respondent- 6) also uses different method of promotion that is using the internet, as well as face-to face marketing at schools and government and private offices. According to the owner, the government only plays a little role in helping marketing her hotel. Besides, the hotel also took part in exhibitions to promote their hotels.

For a medium size hotel, majority of the respondents' hotels used mixed strategies to promote their business. According to hotel 11, the location of the hotel is regarded as their main advertising strategy because of its location that is close to other facilities such as bank, night market, china town, shopping malls and many others. Besides location, hotel 11 also uses multiple methods which include brochures, flyers, newspaper advertisement, and internet (Facebook). He claimed "*so far, we receive a lot enquiries and feedback through face book*". To him, multiple methods in advertising is important because it creates positive effects when advertise through various channels. He further added that these methods help in improving themselves, the quality of the services as well as a mean to control the workers. He also strongly suggested that a follow-up with the customers is very important in making sure that they get what they want.

Likewise, hotel 9, advertise online through their own website. They also include themselves in the tourist reference book. Another medium size hotel (Respondent-10) when asked how they promote the hotel, replied,

"Our hotel is known worldwide, we consistently receive foreign tourist from European countries such as English, Scottish, Dutch as well as Australian".

The hotel applied mixed strategies in promoting their hotels such as through flyers, pamphlet, as well as sponsoring talk show on media channel.

In general, it appears that word of mouth recommendation becomes one of the most widely used techniques considered by most of the micro and small enterprises in contrast to medium size hotels where they tend to apply various technique in promoting the hotel.

Owners/Manager's Attitude

Given the different size of the business, the owner's attitudes are also obviously different and varied according to the size of the enterprise. The following discussions highlight evidence from the owners and managers attitude based on the responses given throughout the interviews.

Training provided by government

One of the micro hotel owners (Respondent- 2) demonstrate his opinion towards the training provided by government as less relevant to the business that he is operating. According to him,

“The Tourism Department has organised a lot of courses, but to me, they’re not suitable. They normally conducted training for the beginners. I have all the basic knowledge and I have learnt all of it”

On the other hand, the owner of one small hotel (Respondent- 6) claimed that her employees are not interested to go on training. She said

“our staff are not interested to go for training, if we want to send them, they will give a lot of excuses, unless if we force them”.

Thus, this shows that the operator does not really care whether their employees want to go for training or not which signal that the emphasis for training is not a priority to the hotel.

Reluctance towards using new technology

There is also some evidence to suggest that micro and small enterprises owners/managers appear to be more reluctant towards new technology application in conducting the business. The technology is not new but to them, it is considered an extra job that requires extra effort and time that needs to be devoted to learn and manage this new thing which is considered normal and necessary to medium and large enterprises.

For example, owner of micro enterprise (Respondent- 2) express his hesitation towards the application of credit card in his hotel. *“I don’t accept credit card”*. When asked why, he simply said *“I do not know how to manage it and I merely do not know how to use them”*. This situation provides several insights which clearly add more challenge to the smooth running of business as well as business development. It suggests that the owner is comfortable in his traditional way of conducting business. He also does not want to adapt to the new method of accepting payment because it he simply does not know how to manage it which further suggests that he does not want any changes to the business. His attitude also suggests that he is lack of knowledge towards what the potential of technology may bring to the business. Finally, the finding also indicates that perhaps due to the small scale of his business has influenced him not to do any changes because it might not be gainful to him and his business.

PROBLEMS AND CHALLENGES FACED BY THE MSMEs

As business moves on, nevertheless, there is a lot of challenges encountered by the MSMEs operators. By and large, the nature of challenges is unique to individual accommodations. The respondents report multifaceted explanation when asked about the difficulty in managing this business. Among the identified challenges are financial constraints, burden on overhead expenses and taxes, government policy, maintenance of the old building, decreasing number of customers, the successor of the business.

It appears that financial limitation becomes one of the most common problems faced by micro and small enterprise as compared to medium enterprises. An interview with one of small enterprises (Respondent- 5) who self-owned the business revealed that lack of financial is clearly limits the growth of his business. As explained earlier, he claimed that the banks refused his loan application. He claimed that due this problem, he is not able to buy his own building. He further explain his passion to develop his business where,

“Previously, I use my own money to start the business, it was 6 rooms when I first started, and now I have 18 rooms”.

Hence, the growth of business becomes impossible due to the financial limitation.

As one of the small operator noted (Respondent- 4),

“Currently, the problem that we face in managing the hotel is with regard to the situation of the building. The building is old and we have to spend large expenses for wiring, it has also cracked !” She continued “Our hotel have a financial constraint, to do renovation at this old building will cost almost RM 200,000 and if we want to apply loan from any financial institution it will take time and we just rent this building for 15 years contract”.

Therefore, similar to the previous business (Respondent-5) this suggests that small operator have difficulty in raising capital which limits the development of their hotel.

Based on the findings, it can be assumed that majority of the operators’ regards the issue of decreasing number of customers as well as maintaining the room sales at required levels becomes major stumbling block to the business.

One of the micro operators (Respondent- 3) claimed that:

“we are not alone in facing the issue of decreasing number of customers because when we asked other hotels whether the faces same problem, they also had similar problem, and not only for hotels, other businesses

like Pasar Siti Khadijah also faces with the same problem, i.e. getting the customer”

In term of the problems that are related to overhead expenses, one of the Micro enterprises (Respondent- 3) reported that an increase in overhead expenses since a few years ago have become one of the biggest problems to the business. The rate has increased to more than double while the room sales remained the same. Moreover, the supply of water also becoming a major issue to his hotel especially during peak time such as school holidays.

On the other hand, Hotel 6 argued the taxes charged on the business are related to the policy developed by the government. She claimed that her hotel implemented the policy imposed by the government but she argued that some policy is not relevant. When ask for further clarification, she said that the policy becomes irrelevant when too many taxes must be paid. According to her:

“We have to pay too much different taxes, government taxes, state taxes, city taxes, custom taxes and room taxes, so this is hard for us, I only operate 32 rooms, but have to pay different types of tax, this is unfair to a small hotel like us, because other accommodation business such as homestay, do not have to pay like us” (Owner-Hotel 6)

Another issue which is related to government policy is evidence in the interview with hotel 7. According to the manager of the hotel, his establishment is facing difficulty in applying for any forms of fund or assistance from the federal government because the hotel belongs to one of the Kelantan district councils. Due to the ownership issue, many of the hospitality related programme organised by federal government and many fund cannot be delivered to the hotel due to certain policy. Hence, the manager claimed that they have to find their own way to manage the business.

On the other hand, another micro operator (Respondent- 2) felt that the biggest challenge for him is to find a successor to continue his business. According to him, to find a suitable successor is difficult because his business is small and wholly owned by him. Thus, he would prefer his own children to replace him to continue the family business, however, he is afraid that his son may not be capable enough to manage the business; moreover, he claimed that both of his sons showed no interest in continuing the business. This problem is also faced by another small operator (Respondent- 5) where he is worried that his business may end without any support from his own children. However, he is in the process of trying to persuade one of his sons to open up a small restaurant next to his hotel in order to familiarise himself with the business and customers.

Over the last decade, Kelantan has evidenced steady growth in term of tourism development which is comparable with other neighbouring states such as Terengganu and Pahang. However, verification provided by the MSMEs signal the

business enterprises inequalities in various aspects which pose specific challenges to tourism growth and development in Kelantan, in particular from supplier of the accommodations i.e. the MSME's operators.

Preceding discussion has highlighted that these MSMEs lack access to approved credit from established agency such as bank and government agencies. This has given them a limitation in term of budget constraint which has forced them to generate capital informally from various sources such as shareholders, family members and friends. Hence, the lack of capital becomes one of the major hindrances for these enterprises to grow further.

The issue of capital limitation discussed earlier has created strained situation to the MSM operators where they feel that they received no financial assistance from formal agency as well as the state government. One of the medium size enterprises claimed that she did not get any assistance from others and is solely on her own. She said,

“whatever capital is involved, it all come from my own money like my pension, saving account, that's why we can't do much, so we are just like budget hotel” (Respondent- 6)

Indirectly, the operators are blaming the government on the lack of funding to mobilise their business.

Another direct impact of inadequate capital or fund faced by these enterprises is related to the issues of renting of premises instead of owning the building or land. It appears that, all micros enterprises and most of small enterprises do not own the land and building due to capital constraint. As clearly clarified by Hotel 3 earlier the biggest challenge in their business is to own the building that they are currently operating. The business that shared by 10 individuals cannot afford to buy the building because the owner has charged at a very high price and at the same time the loan application is not possible. Thus, this situation deprived further growth of the respective business. Similar to this, as previously discussed, the business enterprises owned by the state government also face some difficulty in various ways. The business planning cannot be carried forward due to the ownership issue where some plan must be approved at state levels but at the same time many opportunities can be applied through federal government. As one of the respondents (Hotel- 7) argued that state owned entity is deprived of federal assistant (promotional fund) due to different political orientation.

Besides capital issue, it is also clear that majority of the owner-operator received informal training before conducting the business. Evidence from interview suggests that, most of them are comfortable with the levels and amount of knowledge that they posses now, which they strongly feel that they do not require further training. It is also quite obvious that some of the owner/managers display their lack of concern towards sending their employees for further training. They claimed that,

the employees know all the basic skills which do not necessitate them to attend further training. They also claimed that the training were provided at a basic level which no longer suitable for their staff. This does not apply to the medium hotels because apparently, they consider training to be very important especially if they want to improve the level of services they offer to the customers.

Another interesting finding relates to the marketing strategy implemented by the hotel. When asked about marketing strategy used by the hotels, the answers given are identical where these businesses regard marketing strategies as simply in the forms of promotion and advertisement rather than marketing strategies as a whole. This form of ignorance could be associated with the nature of the business which is considered as micro to medium sizes, where they operate the business as it is. This signals that they might not know and understand the actual context of marketing where it covers the aspect of market segmentation, market positioning, marketing mix and other marketing related issues. It might also indicates that these small businesses are not well informed or not well educated on what is marketing strategy as well as the importance of having a good marketing strategy in business especially in hotel business because of its characteristic of highly competitive and low switching cost. Essentially, the interviews revealed that most of the adopted approaches done by majority of these enterprises are in crude form of promotion or famously known as word-of-mouth recommendation. This is especially famous among micro and small enterprises where they depend heavily on word-of-mouth strategy by their existing customers. One possible explanation could be due to the available budget which is limited, thus limiting their chance to use multiple channel to advertise their hotels. Alternatively, some small enterprises and all medium size operators used mixed approaches in marketing their businesses. The application of banner, brochures, BlogSpot, social networking as well internet collaboration with budget hotel association has given advantages to these enterprises.

To a large extent, findings also seem to suggest that the state government does not significantly involve themselves in assisting these MSMEs. This is apparent in the statement offered by Hotel 11 where he claimed that *“We didn't receive any help from government, we manage our own business”*. Statement by Hotel 6 appears to support Hotel 11 where she firmly contended that the state government did not play the right role in assisting the needy hotel. According to her,

“no financial assistance was given by the state government and so far we didn't get anything. They said that, there is a budget allocated for tourism operators but until now we did not get it”.

She further added that the state government only plays a little role in helping them in terms of promotions. She also compares the role of Terengganu state government (another state which is the closest neighbour to Kelantan) in helping their operators by providing much assistance. Equally important, some of the

enterprises also claimed that the state government demonstrates their lack of interest in terms of providing training to the operators. Thus, based on these findings, it is apparent that most of respective operators are blaming the state government on the support towards operating the business in general, and blaming them on the lack of funding as well as lack of integrated marketing promotion that should be done by the state government.

IMPLICATIONS

The findings reported in the current study have brought to several implications to various stakeholders. This paper facilitates a deeper understanding of the unique characteristic of the MSMEs Kelantan's hospitality context and the distinctive challenges faced by these enterprises. First, the implication can be addressed from the perspective of political implications because Kelantan is ruled by the opposition party which has its own state government that has strong influence in policy implementation as well as other guiding principle in running the hotel business. On the other hand, the federal government under the Ministry of Tourism is the main governing body which formulate main policy that provides guidance to tourism sectors. In general, due to the power that is given to them, the federal government also posses some authority to oversee whether a business is operated. More importantly, the resources such as funding and knowledge are allocated through the federal government. Thus, since Kelantan is ruled by the opposition party, there is a lot of policy differences and procedure diversity between these two rulers. Accordingly, fund assistance is not easily available due to these differences. This situation has clearly given a disadvantage to the MSMEs as evidence throughout the discussion presented here. Therefore, it is very important for both parties to work together in order to assist these enterprises. Hence, the cooperation can be in the form of collaboration by improving access to finance to these MSMEs. This form of fund assistance can improve business performance of MSMEs.

Another implication relates to the function of government in assisting these enterprises. Government must play an active role in assisting MSM conducting their businesses. Intensive effort must be made by the state government to help these enterprises. One critical area that needs to be addressed is for the state government to develop suitable training programme which is capable to address specific requirement of the enterprise. For example, conduct more training at intermediate levels rather than just at foundation levels. An integrated training should be conducted periodically and feedback from enterprises must be obtained so that suitable programme can be specifically designed for them. In general, there is a need by the government to formulate and implement the policy framework for coordinating funds and managing MSME activities in order to provide support for the development of MSMEs.

Another role that can be played by the government is to facilitate learning and education in terms of the importance of marketing strategy as well as other business strategy to the business management. Understanding the significance role of marketing strategies through seminars and training will assist these enterprises to develop suitable marketing strategies as well as other strategic plan in order to improve their business performance. This will help them to sustain and grow in future. Moreover by attending training, this will alleviate the operators from work-stress as entrepreneurs are heavily involved in operational management. Hence, they should learn sometimes to refrain from the daily business to refresh their thoughts and to perform some long-term business development (Peters and Buhalis, 2004).

The government can also act as an organising body to assist MSMEs to collaborate with other star rating hotels. Currently, hospitality business is being dominated by small to medium enterprises thus competition is very tough for MSMEs. Therefore, certain strategy must be used in order for MSMEs to compete healthily in the market. One of the effective strategies that could be used is by collaborating in term of partnership form between the MSMEs as well as other parties. Government should play an active role in providing a platform to link and establish strong networking for the MSMEs. Essentially, the enhanced networking, knowledge and best practice sharing among MSMEs and support initiatives within government programmes can assist these enterprises to develop and grow further.

Secondly, this study offers insight about the role of individual practitioners in managing their businesses. It is important to acknowledge the serious unawareness attitude among the owner-managers practitioner. Developing or having better awareness is critically importance when conducting the business. It is clear from the interview that some of the owner-managers are still lacking in their levels of awareness towards several important issues. The awareness towards the importance of training to the business should not be overlooked. The owner-manager should be pro-active and collaborate with various stakeholders such as the state government, tourism related management organisation and relevant association such as budget hotel association in order to take full advantage of the training that is provided by these parties. In addition, given the increased levels of competition, micro and small hotels need to take advantage on the availability of technology.

As reported in the study, there are still owner-managers who appear to be reluctant to adopt current technology in assisting their business. The application of internet in marketing their business should be clearly adopted by these enterprises so that their marketing promotion can be fully benefited through the internet assistance. Moreover, simple technology such as the acceptance of credit card as a mean of payment should be practiced by these enterprises. Having said this, the owner-manager should switch their traditional way of managing the hotel despite the size of the hotel by embracing 'current normal practice' so that they will not be left behind.

As evidence from the interview, word of mouth appeared to be one of the most powerful weapons for the MSMEs to promote their businesses. Hence, it is important for the hotel operators to strengthen this promotional method by formulating the actual strategy in identifying what is the real key factor that makes the customers deliver positive word of mouth. This is important because, the identification of the key factors can actually assist the operator in maximising the potential word of mouth recommendation besides improving other areas of services which could also become another area of potential.

Accordingly, strategies for sustainable development which covers important aspects such as marketing strategy, business plan strategy must be developed in order for these enterprises sustain in the market.

LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

A numbers of limitations emerge from this paper. Due to the nature of the current research which is exploratory, it only looked into general characteristic of every MSME with only limited numbers of respondent. Current study only managed to interview 11 MSMEs which contribute to the limitations of the study. Therefore, due to limited number of sample, the interpretation of the findings must be viewed with caution as it limits the generalisation of the study. Accordingly, future research could increase the number of respondent that participated in the study so that better generalisation can be produced.

Another limitation can be related to the context of the current study where it overlooked another important characteristic of small business i.e. business performance. It is very important to look at the business performance of the MSMEs because it could provide indication whether the business is performing well and to provide a benchmark to the business. Therefore, future research should consider by looking into the performance business in the context of room sales percentage, occupancy rate percentage, amount of profit as well as customer satisfaction.

CONCLUSION

This paper has illustrated the unique characteristics of MSMEs and has identified the problems and challenges faced by these enterprises. MSMEs form an important part in hospitality and tourism industry as it directly generates income to the local community and indirectly the government. Hence, from this research, it is possible to suggest, that main unique business characteristics of MSMEs can be identified as limited capital, self-funded business, low levels of awareness especially among micro and small enterprises, reluctant towards new technology adoption and depend heavily on word-of-mouth recommendation. The findings imply that MSMEs suffer from several obstacles such as financial constraint, high taxes, lack of state government support, and the successor replacement.

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