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A Survey on Success Factors of Business Performance for Small and Medium Enterprises in the Malaysian Accommodation Industry

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Abstract:

This paper explored the success factors of small and medium accommodation enterprises in Nusajaya, Johor and Malacca town, as the study of this nature had seen little attempts by scholars in the past. A pilot test was run and a questionnaire survey was carried out in April to May 2015. The sampling frame was drawn from a compilation of two sources – Malaysian Association of Hotels (MAH) and Malaysian Budget Hotel Association (MBHA) members in the two areas to obtain the perception of owners-managers running these enterprises. Responses from a sample of 45 respondents was then analysed using the reliability analysis. The alpha coefficients of entrepreneurial orientation, branding orientation, customer orientation, knowledge creation process, and business performance factors were more than 0.7. This goes to show that the reliability and validity analyses have proven that the research instrument is a valid and fairly reliable measure.

Keywords: *Small and medium enterprises (SMEs), hotels, accommodation industry, survey*

1. Introduction

The small and medium sized enterprises (SMEs) are an important source of innovation for novel products and services (Piercy, 2001) and are a primary source for social and economic development (Munikrishnan & Veerakumaran, 2012). Governments including the Malaysian government have positioned SMEs and entrepreneurship as important elements in their plans and policies to sustain the nation's economic growth (Munikrishnan & Veerakumaran, 2012). The SME owners-managers are identified by many scholars as the entrepreneur who assumes the role in starting, managing, and being accountable for the success or failure of the business enterprise (Hill, 2001; Mullins & Forlani, 1998; Munikrishnan & Veerakumaran, 2012). This inevitably expounds the reality that the sustainability of SMEs relies on the entrepreneurs' personal drive, personality, and capability (Munikrishnan & Veerakumaran, 2012).

Small and medium enterprises (SMEs) in the accommodation industry are primary businesses to the economic growth and employment in Malaysia (Liow, Chong, & Yee, 2015). It is said that these SMEs' role is significant to achieving a total tourism receipts of RM168 billion, and creating an additional 497,200 jobs by Year 2020 (Ng, 2010). The significance of these SMEs in achieving a considerable part of the nation's goal is an established characteristic in the Malaysian accommodation industry. As such this study will focus on examining the success factors for SMEs in Nusajaya, Johor and Malacca town.

The factors affecting the success of these SMEs are categorised as follows:

1. Entrepreneurial orientation encompassing four dimensions such as risk-taking, pro-activeness, innovativeness, and staff responsibilities.
2. Branding orientation encompassing three themes which are brand reputation, brand uniqueness, and brand orchestration.
3. Knowledge creation process encompassing the socialisation, externalisation, combination, and internalisation dimensions or known as SECI model.
4. Customer orientation encompassing nine items that are customer focus.

2. Review of Literature

There are many scholarly publications that emphasize that the business performance of an enterprise is related to the factors influencing the business. Hence, scholars in the past have focused on investigating the relationship between independent variables and the business performance so as to identify the success factors (Munikrishnan & Veerakumaran, 2012). The business performance is commonly measured in terms of both financial and non-financial performance (Liow & Yeow, 2015d). Factors that have a positive relationship with business performance are known as success factors in the past studies (Munikrishnan & Veerakumaran, 2012).

This section covers the literature relating to the success factors of business performance of SMEs in the accommodation industry primarily in other nations like Austria, Spain, Switzerland, and Taiwan. (Liow, Chong, & Yee, 2015). However, it is worth noting that minimal presence within the existing literature has been found in investigating the success factors of SMEs in the Malaysian accommodation industry. The focus of the study is then to establish the factors related with successful SMEs located in Nusajaya, Johor and Malacca town based on the managers-owners' perception running these accommodation businesses. Following are related literature about the success factors of businesses in the accommodation industry.

Peters et al. (2010) stated entrepreneurial orientation dimensions – risk taking, pro-activeness, innovativeness, and staff responsibilities dimensions have a positive influence upon the business performance. The study among small Austrian hotels also have found that pro-activeness and staff responsibilities coupling with branding awareness portray strong correlation scores. This supports the notion that entrepreneurial orientation does have an influence on the branding orientation of owners-managers in small size hotels. Rodriguez (2002) has investigated about Spanish hotels and how the entrepreneurs harness high-level specialised tacit knowledge for plans to penetrate into overseas markets. Five years later, Yang (2007) published a paper that describe Taiwanese hotel entrepreneurs committing into an organisational culture that cultivates employee collaboration through knowledge creation processes. There goes to show some inclination of entrepreneurs motivating their employees to harness the organisational knowledge pool, which in turn transforms entrepreneurial orientation (Li, Huang, & Tsai, 2008). Such knowledge-sharing behaviour (Kim & Lee, 2012; Sigala&Chalkiti, 2007) or intellectual capital (Zeglat&Zigan, 2014) have shown positive results in business performance. However, according to Kim and Lee (2013), knowledge creation process, or known as knowledge sharing behaviour (knowledge collection and donation) in the scholars' study, have portrayed a high level of mediating role between the employee service innovative behaviour as well as business performance goal orientation.

A few scholars have established that branding orientation undertaken in the accommodation businesses has a positive influence on the business performance, such as in Prasad andDev's(2000) as well as Kim, Kim, and An's(2003) studies. Li, Zhao, Tan, and Liu's (2008) study explains branding orientation activities help to forge sustainable competitive advantages (Ewing & Napoli, 2005; Urde 1994), and business performance.

There are many studies which have documented the positive effect of customer orientation on business performance. In Tajeddini's (2010) study, the outcome is that higher level of customer orientation is linked with improved business performance primarily one-to-three star Swiss hotels. Another study conducted by Roxana, Anamaria, and Corina (2013) have also established that customer orientation can improve the Romanian hotels' business performance.

3. Theoretical Framework

Based on the related literature above, the theoretical framework of this study investigates the relationship among entrepreneurial orientation, knowledge creation process, branding orientation, and customer orientation upon the business performance for SMEs in the Malaysian accommodation industry. The framework is adopted and modified by Liow, Chong and Yee (2015) from three previous studies (Li, Huang, & Tsai, 2008; Peters, et al., 2010; Tajeddini, 2010). The relationship among the variables in this framework is based on resource-based theory. This theory supports the belief of organisations possessing valuable resources (Barney, 1991) can successfully put into action business strategies that help to gain a business competitive edge and consequently improved business performance (Barney & Delwyn, 2007). See Figure 1 that displays six hypotheses H1 to H6 formulated based on the framework below.

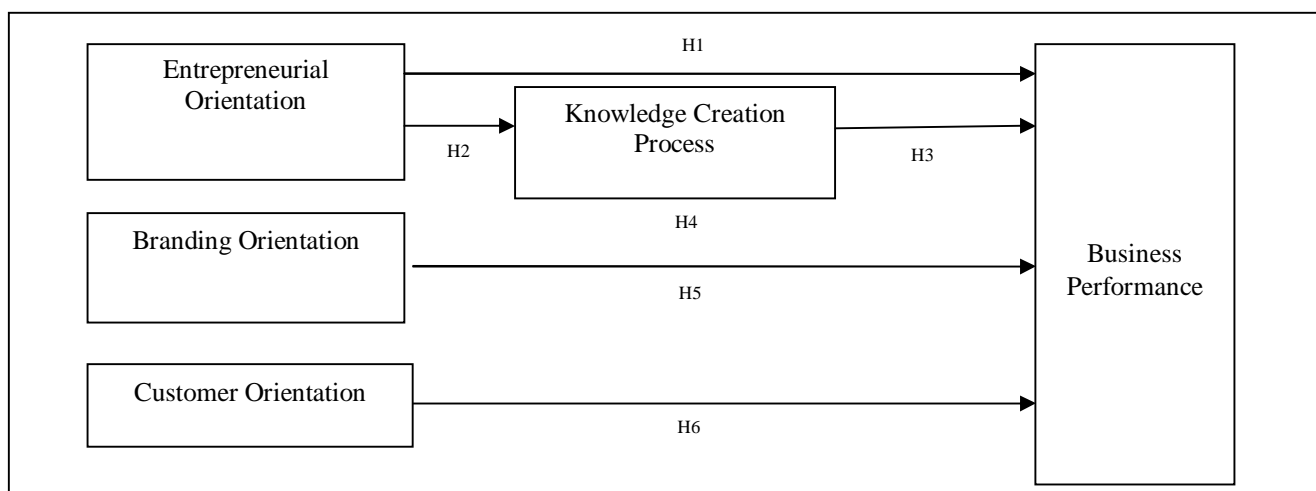


Figure 1: Theoretical Framework of the influence of entrepreneurial orientation, knowledge creation process, branding orientation, and customer orientation constructs upon business performance

4. Methodology

This section covers the participants, procedures, and justification of selecting Nusajaya, Johor and Malacca town for this study. The survey instrument and the data analyses findings will be also incorporated under this section.

4.1. Participants and Procedure

A questionnaire survey was carried out in between April to May 2015. The sampling frame was drawn from a compilation of two sources - Malaysian Association of Hotels (MAH) and Malaysian Budget Hotel Association (MBHA) listed members in Nusajaya, Johor and Malacca town. The target groups were SMEs that have a sales turnover less than RM20 million, or hire less than seventy-five employees according to the definition provided by National SME Development Council (NSDC) (2013, September 24). The other determinant will be that the SMEs' longevity (Rogerson, 2000; Walker & Brown, 2004) that is the SMEs are in business at least three years above to define that this entrepreneurship is successful in Malaysia (Associated Chinese Chambers of Commerce & Industry of Malaysia (ACCCIM), 2012). Other determinants such as business capital sources and origin of business do not distinguish the SMEs in terms of business performance as found by Munikrishnan and Veerakumaran's (2012) study about success factors in Klang Valley, Malaysia.

The initial targeted sample size for the pilot test is forty SME owners-managers managing the small and medium size accommodation businesses. This is in parallel with the minimum sample size of at least thirty respondents (Roscoe, 1975; Stutely, 2003). It is also a number that corresponds with the population size of 55 in which 28 in Nusajaya, Johor, and 27 in Malacca town.

Saunders, Lewis, and Thornhill (2012) in their book "Research Methods for Business Students" indicated the suitable sample for a population of 50 is 44 samples. Based on this criterion, a total of 55 questionnaires was distributed by mail to the owners-managers of the SMEs in Nusajaya, Johor and Malacca town and the returned questionnaires was 46 and 45 questionnaires were usable for analyses. Self administered method is deployed where the researcher promises to respond to any queries within twenty-four hours via email or Skype. A poor response rate was registered, in which 19 usable responses (out of 20 returned questionnaires) gathered in the first two weeks of administration. The researcher conducted an email reminder one week after the first mail-out, and performed follow-up calls to get high response rate. However, about 16 percent of the SMEs were either not interested or did not return the questionnaire via mail.

Another important determinant is to ensure well representation of the business size of the SMEs – micro, small, and medium that is a representation of 51 percent, 35 percent, and 14 percent respectively for the population size of 2,817 Malaysian SMEs in the accommodation industry (Economics & Policy Planning Division SME Corp. Malaysia, 2013, March 1). Out of the 45 usable responses, 23 (51 percent) are microenterprises, 15 (33 percent) are small size enterprises, and 7 (16 percent) are medium size enterprises.

SMEs in the accommodation industry was the focus of this study for two reasons. First, there is little research conducted in the two areas using this firm type. Second, the study aims to assess the success factors in the tourism sector. Majority of the firms are SMEs in the tourism sector, henceforth a study focusing on the success factors in both areas can provide an insight into the SME development in the accommodation industry and as a job provider for the nation.

4.2. Justification of Selecting Nusajaya, Johor and Malacca town

The SMEs in the accommodation industry is rated based on the two rating classifications. First is the Orchid classification that encompasses businesses like rest houses, lodging houses, inns, and bed and breakfast hotels that cannot qualify for the other classification, which is the Star rating from one to five star hotels (Ministry of Tourism and Culture (Licensing Department), 2014, May).

For this study, Nusajaya, Johor and Malacca town were selected for data collection. The survey was performed on selected SMEs in Nusajaya, Johor and Malacca town. Nusajaya, Johor is an upcoming flagship area comprising of Medini Iskandar, East Ledang, Puteri Harbour, Horizon Hills, Bukit Indah, Nusa Bestari, and Taman Universiti (Khazanah Nasional, 2007, February 23). Legoland, and Puteri Harbour Family theme park encompassing Sanrio Hello Kitty Town in Nusajaya are popular attractions with tourists (Iskandar Regional Development Authority, 2014). This phenomenon have led aspiring entrepreneurs opening small and medium size accommodation businesses to meet the increasing tourism demand, primarily in Bukit Indah and Nusa Bestari.

Malacca town on the other hand was selected due to its well-known tourism image as a historical town in Malaysia and was designated as a Unesco World Heritage Site in Year 2008 (Asia Web Direct, 2015). Malacca town is where a good number of SMEs apart from the larger hotels can be found. Data was collected in Bukit China, Little India, and Kota Laksamana, popular tourist strips in the Malacca town.

4.3. Pre-test, Pilot-test, and Survey Instrument

The survey instrument is a questionnaire in this study. A pre-test of the questionnaire with 3 senior academics from the School of Tourism and Hospitality in a local university and 3 SME entrepreneurs in the accommodation industry have been engaged to ensure survey content and measurement scales are clear, valid, and appropriate (Zikmund, 2003).

Feedback received and one of the changes is to categorise the questionnaire into three parts. Part I is comprised of respondent profile and organisational background, part II is comprised of items relating to success factors (entrepreneurial orientation, branding orientation, customer orientation, and knowledge creation process). The survey questionnaire adopted the five-point Likert scale in which the respondents are asked on their agreement for a total of 51 items for all the four constructs aforementioned. Part III the

respondents are asked to compare their business performance results over the competitors for the past three years. Five point Likert scale was used to measure the 4 items altogether on the scale 1 = much worse to 5 = much better against their competitors.

All the 55 items were adopted from previously tested scales that have registered Cronbach's alpha more than 0.7 (Nunnally, 1978), thus are reliable measurements.

Other changes were also made to include three more industry performance indicators – occupancy rate, average room rate, and annual sales turnover under Part I during the pre-test stage. The questionnaire in English seems appropriate and the 3 SME respondents took an average fifteen minutes to complete the questionnaire.

Lastly, another change was done by including helping statements and examples to accompany three entrepreneurial orientation items under Part II during the first week of administration of the pilot test stage. This is to make the three items clearer and to enable accurate responses are retrieved.

4.4. Data Findings and Analyses

In respect of the respondents' profile, 43 out of 45 are managers running the business on behalf of the owners. 40 percent are Malay, 45 percent are Chinese, 11 percent are Indian, and 4 percent are from other nationalities. There are more females, 26 in total over 19 males mainly from age groups 30 years and below as well as 31 – 40 years old, a mix of Generation X and Y managing the businesses. 56 percent are diploma or certificate holders but 44 percent are from other areas of specialisation like banking, home studies, and agricultural science. The remaining 25 percent are from the hotel and/or tourism management, another 25 percent from management/administration/marketing, and the rest of 6 percent is from the craftsmanship/construction field. Two reasons provided by the respondents that attracted the owners into the accommodation business are mainly due to wanting to achieve something and gain recognition in the accommodation industry, and gaining a personal sense of accomplishment while growing their businesses.

In respect to the organisation's profile, 67 percent of the businesses are still new with three years of history, and 18 percent have already been in the business for a period of six years and above. 67 percent of the SMEs possess 21-50 rooms in their property, followed by 22 percent running a 51-99 rooms property. 56 percent are under the Orchid rating while 24 percent are 3 star rating properties. The rest are 2 and 4 star properties comprising 7 percent each out of the 45 responses, 4 percent are 1 star properties and 2 percent belonging to the 5 star category. The properties comprise of boutique hotels (16 of them), budget hotel (13 properties), town hotels (9 properties), city/business hotels (6 properties), and 1 golf resort hotel.

In respect to the performance of the 45 properties, the occupancy rate or percentage of rooms sold to rooms available at a given period (Vallen & Vallen, 2014) vary with 38 percent of the properties achieving an occupancy rate between 41 to 60 percent. 31 percent of the properties registered a low occupancy rate between 21 to 40 percent, while the rest (31 percent) registered a high occupancy rate between 61 to 80 percent. Another popular performance indicator is the average room rate (ARR) or the average room revenue per room sold (Vallen & Vallen, 2014). Based on the survey findings, 47 percent of the 45 properties achieve an ARR between RM51 to RM100, followed by 40 percent between RM101 to RM150, 11 percent between RM151 to RM200, and 2 percent only between RM251 to RM300.

Analysis using the SPSS was carried out after the data was coded and keyed into the computer. Reliability analysis test was performed to determine the level to which the items in the scale are representative of the construct domain measured (Zikmund, 2003). The Cronbach's alpha is one of the most commonly used indicators of reliability (Nunnally, 1978; Sekaran, 2000). Table 1 below shows the Cronbach's alpha for the five constructs of this study. Data collected will generally be reflected reliable and acceptable for further analyses since all the alpha coefficients are more than minimum guidelines of 0.7 as cited by Nunnally (1978).

Constructs	Number of Items	N =sample size	Cronbach's alpha
Entrepreneurial Orientation	12	45	0.724
Branding Orientation	14	45	0.751
Customer Orientation	9	45	0.777
Knowledge Creation Process	16	45	0.865
Business Performance	4	45	0.904

Table 1: Reliability test results for pilot run

5. Conclusion and Recommendations

The study is intended to investigate if the survey questionnaire is valid and reliable to measure based on a framework, a study of SMEs in the accommodation industry located in Nusajaya, Johor and Malacca town.

The study yielded a few interesting findings. There seems to be positive results from the seeding fund for growing SME needs in which RM30 million has been allocated under the Year 2013 Malaysian budget (National SME Development Council (NSDC), 2012). The seeding fund has managed to attract women (that are more women participation) and 40 percent of Malays (or Bumiputera) who are managing their own accommodation business. This phenomenon will help to contribute to the target for the national tourism industry goal of offering 497,200 jobs by Year 2020 as cited by Ng (2010) the then Minister of Tourism of Malaysia.

The reliability analysis test revealed that all the five constructs have registered alpha coefficients of more than 0.7, thus is considered reliable and acceptable for further analyses. The recommendation is to use the survey questionnaire and populate to other states and the aim is to conduct a national survey. Nevertheless, the survey questionnaire may not be suitable for use in international managed

hotels or large accommodation businesses, since a different framework is needed as large enterprises commonly require more factors to achieve business success.

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