

**EXPLAINING MALAYSIAN HOMESTAY  
OPERATORS PERFORMANCE THROUGH  
RESOURCES, CAPABILITIES AND  
SOCIAL MEDIA USAGE**

**CYNTHIA @ ANNAMARIA ROBERT DAWAYAN**



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UNIVERSITI MALAYSIA SABAH

**FACULTY OF BUSINESS,  
ECONOMICS AND ACCOUNTANCY  
UNIVERSITI MALAYSIA SABAH  
2021**

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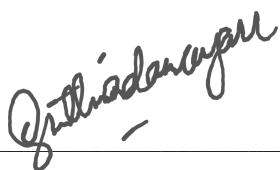
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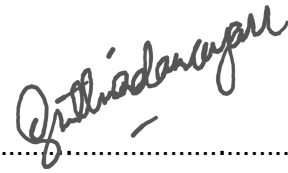
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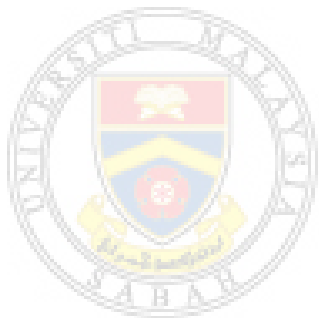
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## ABSTRACT

Although the Malaysian tourism industry thrives, it seems that the Malaysian homestay industry lags behind and is not developing consistently with the rest of the industry. This is mainly due to lack of promotion that eventually leads to insignificant returns obtained by operators to sustain in the business, resulting to a number of homestay operators withdrawing from the program. The homestay operators were also not able to compete with other tourism operators who offers various forms of tourism attractions and accommodations. Therefore, to improve this situation, it is necessary to first identify the current performance of the Malaysian homestay industry by looking at what are the important factors that influences their performance and to identify areas that needs to be focused on in order to be able to compete with their competitors. As such, this current study seeks to examine (i) the relationship between homestay resources (supporting resources, product knowledge and collaboration) and homestay capabilities, (ii) the role of homestay capabilities as a mediating factor in the relationship between homestay resources and homestay performance and (iii) moderating effects of social media marketing competence on the relationship between homestay capabilities and homestay performance. 144 questionnaires collected from homestay operators in Sabah and Sarawak, registered under the Ministry of Tourism, Arts and Culture Malaysia were analysed using PLS-SEM 3.0. The analysis shows that among the three homestay capabilities, supportive resources and collaboration each had a positive effect on homestay capabilities. As for the direct relationship between homestay capabilities and homestay performance, it was found that only marketing capabilities had a positive effect on homestay performance. Additionally, only innovation capabilities was found to have a mediating effect on the relationship between homestay resources (collaboration) and homestay performance. Results also suggest that there is a negative interaction effect on the relationship between dynamic capability on performance where it becomes weaker when dynamic capability increases. This study is important for researchers and practitioners as it provides new literature in the area of homestay studies as well as theoretical, methodological and practical implications useful for the future development of the homestay industry.



## **ABSTRAK**

### **MENJELASKAN PRESTASI PENGENDALI INAPDESA MALAYSIA MELALUI SUMBER, KEUPAYAAN DAN PENGGUNAAN MEDIA SOSIAL**

*Walaupun industri pelancongan Malaysia berkembang dengan maju, didapati industry inapdesa Malaysia masih ketinggalan dan tidak berkembang seiring dengan pembangunan lain-lain produk pelancongan yang sediada. Ini disebabkan oleh kekurangan promosi yang akhirnya membawa kepada perolehan pulangan yang tidak signifikan kepada pengusaha inapdesa untuk mengekalkan perniagaan, sehingga menyebabkan beberapa pengusaha inapdesa menarik diri daripada program tersebut. Pengusaha inapdesa juag tidak mampu bersaing dengan pengusaha pelancongan lain yang menawarkan pelbagai bentuk tempat tarikan dan penginapan pelancongan. Oleh itu, untuk memperbaiki keadaan ini, adalah perlu terlebih dahulu mengenal pasti prestasi semasa industri inapdesa Malaysia dengan mengenal pasti faktor penting yang mempengaruhi prestasi mereka serta mengenal pasti bidang yang perlu diberikan tumpuan agar mampu bersaing dengan para pesaing mereka. Oleh yang demikian, kajian semasa in cuba untuk mengkaji (i) hubungan antara sumber inapdesa (sumber sokongan, pengetahuan produk dan kerjasama) dan keupayaan inapdesa, (ii) peranan keupayaan inapdesa sebagai faktor pengantara dalam hubungan antara sumber inapdesa dan prestasi inapdesa dan (iii) kesan penyederhanaan kecekapan pemasaran media sosial terhadap hubungan antara keupayaan inapdesa dan prestasi inapdesa. 144 soal selidik yang dikumpul daripada pengusaha inapdesa di Sabah dan Sarawak yang berdaftar di bawah Kementerian Pelancongan, Kesenian dan Kebudayaan Malaysia telah dianalisis menggunakan PLS-SEM 3.0. Analisis menunjukkan keupayaan inapdesa, sumber sokongan dan kolaborasi masing-masing member kesan positif terhadap keupayaan inapdesa. Bagi hubungan langsung antara keupayaan inapdesa dan prestasi inapdesa, didapati hanya keupayaan pemasaran yang memberi kesan positif terhadap prestasi inapdesa. Selain itu, hanya keupayaan inovasi didapati mempunyai kesan pengantara pada hubungan antara sumber inapdesa (kolaborasi) dan prestasi inapdesa. Keputusan juga mencadangkan bahawa terdapat kesan interaksi negatif terhadap hubungan antara keupayaan dinamik pada prestasi di mana ia menjadi lemah apabila keupayaan dinamik meningkat. Kajian ini penting untuk penyelidik dan pengamal industri kerana ia menyediakan literature baharu dalam bidang kajian inapdesa serta implikasi teori, metodologi dan praktikal yang berguna untuk pembangunan industry inapdesa pada masa hadapan.*

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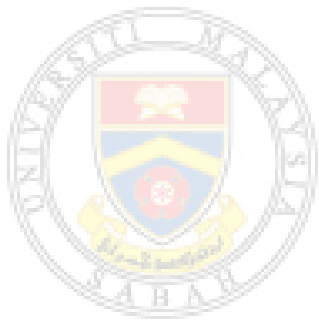
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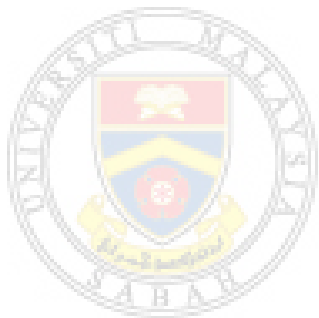
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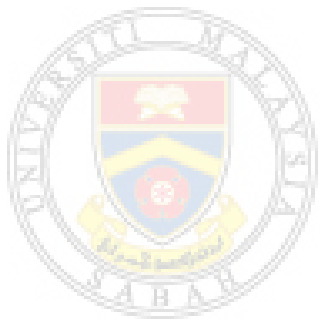
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# CHAPTER 1

## INTRODUCTION

### 1.1 Introduction

As one of the world's largest economic sectors, travel and tourism create job opportunities, drive exports, and generate prosperity across the world. A study carried out by the World Travel and Tourism Council (WTTC) on the global economic impact of tourism indicates that the sector contributes 10.3% of the global GDP, simultaneously creating 330 million jobs, or 10% of total employment, in 2019 (WTTC, 2020). As one of the key drivers in the world's economic development, the number of the global international tourist arrival has increased by 4% in 2019, reaching a total of 1.5 billion tourists travelling around the world (UNWTO World Tourism Barometer, 2020).

In Malaysia, value added of Malaysia's tourism industry contributes 15.9% to the GDP in 2019, a slight increase from 15.2% in 2018 (Department of Statistics Malaysia, 2020). The industry created a total of 15.1% (3.6 million) employment in 2019, from a total of 14.8% (3.5 million) in 2018 (Department of Statistics Malaysia, 2020). The increase is to cater for the increasing number of inbound tourists which is 26.10 million in 2019 an increase of 0.27 million (25.83 million) from 2018. Similarly there is also an increase of domestic tourists from 78.2 million in 2018 to 84.7million domestic tourists in 2019. This increase in tourist arrival indicates that the tourism industry in Malaysia is still growing and there are still room for further enhancements to continue contributing significantly to the Malaysian economy in terms of shopping, accommodation, food and beverage as well as transportation costs (Department of Statistics Malaysia, 2020).

**Table 1.1: Tourist Arrival and Receipts for Malaysia by Year 2019 - 2010**

Year	Malaysia Tourist Arrival	Receipts (RM)
2019	26.10 mil	86.1 bil
2018	25.83 mil	84.1 bil
2017	25.95 mil	82.1 bil
2016	26.76 mil	82.1 bil
2015	25.72 mil	69.1 bil
2014	27.44 mil	72.0 bil
2013	25.72 mil	65.4 bil
2012	25.03 mil	60.6 bil
2011	24.71 mil	58.3 bil
2010	24.58 mil	56.5 bil

Source: Tourism Malaysia (2020)

## 1.2 Context of the Study

Malaysia's first tourism effort goes back to the 1960s. However, these efforts were minimal as during that time, the Malaysian local economy was heavily dependent on primary commodities, which largely includes petroleum products, rubber, tin mining and palm oil. In 1972 the government decided to establish the Tourism Development Corporation of Malaysia (TDC), to oversee the development of tourism in Malaysia. Nevertheless, the development and performance of the industry remains slow as the world needs time to know Malaysia as a tourism destination. Additionally, at that time Malaysia had to compete intensely with other well-developed destinations in the region such as Thailand, Singapore and Bali in Indonesia.

Nonetheless, with perseverance, hard work and ample supply of cultural and natural diversity, Malaysia is able to attract tourists from all around the globe to come and visit Malaysia by offering unique and attractive tourism products and services to suit the tourists. Among the products offered by the Malaysian tourism industry is the homestay program, where it offers tourists an attractive accommodation alternative to choose from during their holiday. Compared to hotels, homestays offer tourists not only accommodation for the duration of their holiday but also opportunity to experience the indigenous lifestyle and culture of the local people, residing in various states across Malaysia. Mostly operated in the rural areas, homestays have become a focus area among public and private tourism organisations as well as government agencies that intend to stimulate growth and development of the rural areas (Mura, 2015).

The first sight of homestays in Malaysia can be traced back to the early 1970's, where villagers in the coast of Pahang started to offer their homes as accommodation with a minimum charge to tourists who were not able to secure rooms in the nearby beach resorts (Ibrahim and Razzaq, 2010). Apart from accommodation, the homeowners also offered meals for the tourists during their stay. This concept of offering accommodation and food in one's home continued until the 1980's, where a group of Japanese youths was sent to local homestays under an exchange program to learn and experience about local Malaysian culture and lifestyle (Ibrahim and Razzaq, 2010). This scenario was similar to the homestay concept practiced in the United States, Canada, Europe, Australia and New Zealand where foreign students stayed in homes of the local people to learn the English language (Nair, et. al, 2015; Kontogeorgopoulos, Churyen and Dvangsaeng, 2014).

In Australia, homestays are better known as farmstay, where tourists stay with families and get the opportunity to experience life in the many ranches across both countries (Tucker and Lynch, 2005). Alternatively, homestays in Thailand and Indonesia are more focused on offering cultural heritage learning opportunities to their guests (Hamzah, 2010). Despite the existence of different homestay concepts around the world, the fundamental idea of homestay remains the same. The idea is basically to accommodate tourists in a village or community, where the tourist will stay together with a local host family to catch a glimpse and experience the daily

lives of the local people in ways that are different from conventional tourism interactions and settings (Dolezal, 2011).

In Malaysia the homestay program can be regarded as a rural, cultural and community-based tourism product, where it has been officially defined as tourists staying together with the host family to experience the everyday way of life of the family in both a direct and indirect manner” (MOTAC, 2014). In order to be eligible for registration, a homestay must satisfy a number of characteristics as specified clearly by MOTAC. Among the characteristics are firstly, to operate in the village or rural areas that relies on rural economic activities that includes agriculture, fisheries or cottage industries producing local or traditional products. In order for the village to qualify as a homestay cluster, the village must have at least 10 homestays operating in the village, where each homestay is owned and operated by one owner. Each operator can offer a maximum of 4 rooms in their home to tourists for the homestay purpose. Additionally, the homestay operators must offer various activities that can give tourists the opportunity to experience the daily life and culture of the local community. Finally, the operators must be able to provide basic amenities and to ensure a clean, safe and comfortable living condition for the tourist.

In 1993, the Ministry of Tourism, Arts and Culture (MOTAC) formed a special unit to oversee homestay operations throughout Malaysia. From here the Ministry has introduced the official definition of homestay as a program where tourist stay with the host’s family and experience the everyday way of life of the family in both a direct and indirect manner” (MOTAC, 2014). In 1995, in Temerloh Pahang the Malaysian Homestay Experience Program was launched as an initiative under the Rural Tourism Master Plan, with the main objective to increase the participation of the rural community in tourism related activities. This event marks the classification of the Malaysian homestay program as a community-based rural tourism initiative promoted by the government, specifically to empower rural communities through their engagement in rural tourism activities (Ahmad, Jabeen and Khan, 2014). The program does not only offer local communities an opportunity for social and economic development but also the opportunity to conserve the natural and cultural resources of the local people while offering

tourists an opportunity to sample local culture and way of life (Kayat and Zainuddin, 2016)

Many countries around the world have recognised rural tourism as an effective method in the development of the country's rural socio-economy. It helps to boost economic development in the rural area and the livelihood of the rural communities by providing them additional opportunities to increase their income apart from carrying out agricultural activities (Cawley and Gillmore, 2008; Liu, 2006). With rural tourism, the rural communities are able to carry out activities related to hospitality and receiving of guests from outside their village. Among the many activities includes provision of accommodation, food and beverage, making and selling of handicrafts, providing other tourism activities such as guided hiking , cultural and educational activities, supply of recreational activities equipment and other activities that may relate to rural tourism activities (Crawley and Gillmore, 2008; Saxena and Ilbery, 2008).

Years of continuous effort has resulted in increasing revenue from the tourism industry. Aside from its significant contribution to the national economy, tourism has also benefited Malaysians directly by the creation of job opportunities for the local people and helped in the preservation of the local culture and traditions. Increased demand from tourists who want to enjoy the natural environment in its original setting has given a boost to rural tourism particularly those products closely related to nature and cultural heritage of the local people (Yusof, Muda, Amin and Ibrahim, 2013). In this context, homestays are the right rural tourism product, which can provide not only accommodation and food for tourists but also offers opportunities for the tourists to sample local culture in its natural setting. It gives the opportunity to tourists to stay together with the host family and experience the lifestyle as well as culture of the host family in a direct and indirect manner (MOTAC, 2014).

Although there is demand for rural tourism in the form of homestay activities, its development is quite challenging and moves at a rather slow pace as most of rural tourism businesses are located quite far from the city center and may be lacking in terms of road access and communication facilities (Kunjuraman and

Hussin, 2017). The small population also becomes one of the factors which make rural areas difficult to grow and develop due to lack of manpower (Malaysia Ministry of Finance, 2010) with necessary skills and knowledge (Yusoff *et al.*, 2013). Even though the government often insists that rural tourism is the option for development strategies that can help village communities for additional sources of income through tourism activities, the development in rural areas is still not fully strengthened. Apart from that, homestay operators also face other problems such as competition from unregistered and unauthentic homestays, where most of these types of homestays are in the city or suburbs and are homes or accommodation that are rented out for a short period of time, without the host staying there and does not offer any opportunity for tourist to experience the local lifestyle and culture (Nor and Awang, 2017).

The rapidly changing business environment requires organisations to continuously monitor their performance in ensuring the organisation's current management and operations are working well and in order (Yusra, Noor, and Sorooshian, 2015). Organisations would measure their performance to find out if their business operations are carried out accordingly to achieve organisational objectives as well as to measure their level of effectiveness and efficiency as well as productivity of their operational activities of the organisation (Striteska and Spickova, 2012). Additionally, performance checks are also carried out to provide business owners with better information and assist in decision making, to allow for comparisons across the organisation, monitor changes to ensure uninterrupted and sustained improvements (Teeratansirikool, Siengthai, Badir and Charoengam, 2013; Phihlela, Odunaike and Durban, 2012; Chenhall, 2008).

As an alternative tourism product, homestays represent the government's approach to empower, improve and develop standard of living of the rural community through their participation in the homestay programs (Kayat *et al.*, 2016). However, it was reported that since its formal introduction in the early 80s, the Malaysian homestays have yet to be evaluated thoroughly on its performance (Kayat and Zainuddin, 2016). Although there are some studies researching on the success factors of homestays in Malaysia, it was noticed that these studies were based on limited/particular homestay or homestays that are located in well known