

**A STUDY ON SMALL AND MEDIUM-SIZED  
ACCOMMODATION OPERATORS IN SABAH:  
START-UP MOTIVES, MOTIVATIONAL  
FACTORS AND KEY ISSUES**

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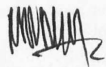
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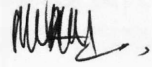
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## DECLARATION

I hereby declare that the material in this thesis is my own except for quotations, excerpts, equations, summaries and references, which have been duly acknowledged.

19 May 2010



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## **ABSTRACT**

### **A STUDY ON SMALL AND MEDIUM-SIZED ACCOMMODATION OPERATORS IN SABAH: START-UP MOTIVES, MOTIVATIONAL FACTORS AND KEY ISSUES**

The paper reports qualitative empirical evidence on the underlying motives and presents motivational factors based on push and pull factors framework for small and medium-sized accommodation. The objectives of the paper are to: (a) explore the underlying motives of individuals and explained by push and pull factors in starting up small and medium-sized accommodation business; (b) explore the factors that motivate individuals to continue operating small and medium-sized accommodation business; (c) highlight the key issues faced by small and medium-sized accommodation operators. In-depth interviews were conducted with 95 small and medium-sized accommodation operators in five administrative divisions in Sabah, Malaysia. The study was adopted a purposive sampling technique based on the population of small and medium-sized accommodation (SMSA) listed by Sabah Tourism Board. The findings reveal eleven underlying motives of individuals in starting up small and medium-sized accommodation business, namely – inherit from family business; potential and opportunity; market demand; own assets; strategic location; influenced by other people (friends and family); profitability; personal and attitude; previous experience in accommodation business; interested in accommodation business and retirement. These start-up motives were categorized into two categories – pull factors (inherit from family business, potential and opportunity; market demand; own assets; strategic location; influenced by other people (friends and family); profitability) and push factor (personal and attitude; previous experience in accommodation business; interested in accommodation business and retirement.) While the factors that motivating SMSA operators to continue operating their business were categorized as seven themes, namely – inherit from family business; market demand; covering operation cost; profitability; interested in accommodation business; potential and opportunity; challenges. The findings of key issues were categorized into external environmental issues, which are: (a) competition, (b) government regulations and policies, (c) seasonal demand issues and (e) financial issues; five internal issues that are related to competition, financial issues, human resource, customer service and satisfaction, and marketing. The paper contributes to the understanding of start-up motives, motivational factors and key issues faced by small and medium-sized accommodation operators in Sabah. It adds to the existing literature on the start-up motives and the issues faced in managing of small and medium-sized accommodation businesses. These findings are significant for the Sabah State Government in order to regulate and set policies for small and medium-sized accommodation businesses.

Keywords: Motives, factors, start-up motives, key issues, small and medium-sized accommodation



## ABSTRAK

*Kajian ini melaporkan bukti empirikal kualitatif mengenai motif dan faktor motivasi berdasarkan kepada rangka kerja faktor tolak dan faktor tarik ("push and pull factors framework") untuk penginapan kecil dan sederhana. Objektif kajian ini adalah untuk (a) meneroka motif individu dalam memulakan perniagaan penginapan kecil dan sederhana dan menjelaskan motif dengan menggunakan faktor tolak (dalaman) dan faktor tarik (luaran), (b) meneroka faktor yang mengarahkan individu untuk meneruskan operasi perniagaan penginapan kecil dan sederhana; (c) mengenalpasti kunci isu yang dihadapi oleh pengusaha perniagaan penginapan kecil dan sederhana. Temuduga secara mendalam telah dijalankan ke atas 95 pengusaha penginapan kecil dan sederhana di lima bahagian di Sabah, Malaysia. Kajian ini menggunakan teknik persampelan bermatlamat berdasarkan populasi yang disenaraikan oleh Lembaga Pelancongan Sabah. Hasil kajian menunjukkan sebelas motif dalam memulakan perniagaan, yakni – teruskan warisan daripada keluarga; potensi dan peluang; permintaan pasaran; harta sendiri; lokasi yang strategik; dipengaruhi oleh orang lain (kawan dan keluarga); keuntungan; peribadi dan sikap; pengalaman yang dahulu dalam perniagaan penginapan; minat dalam perniagaan penginapan dan persaraan. Faktor motivasi dalam memulakan penginapan kecil dan sederhana telah dibahagi dalam dua kategori - faktor tarik (warisan daripada keluarga potensi dan peluang; permintaan pasaran; harta sendiri; lokasi yang strategik; dipengaruhi oleh orang lain (kawan dan keluarga); keuntungan; perniagaan berdasarkan wang tunai dan faktor tolak (peribadi dan sikap; pengalaman yang dahulu dalam perniagaan penginapan; minat dalam perniagaan penginapan dan persaraan). Sementara faktor yang mengarahkan individu untuk meneruskan operasi perniagaan penginapan kecil dan sederhana telah dikategori dalam tujuh tema yakni warisan daripada keluarga, permintaan pasaran, menampung kos operasi, keuntungan, minat dalam perniagaan penginapan, potensi dan peluang dan cabaran. Hasil kajian telah memperlihatkan kunci isu telah dibahagi dalam empat isu luaran iaitu (a) berkaitan dengan persaingan, (b) undang-undang dan polisi daripada kerajaan, (c) permintaan bermusim dan (d) isu kewangan; lima isu dalaman adalah, isu operasi, isu kewangan, isu sumber manusia, perkhidmatan dan kepuasan hati pelanggan dan pemasaran. Kajian ini telah menyumbang kepada pemahaman mengenai motif memulakan perniagaan, faktor motivasi dan kunci isu yang dihadapi oleh pengusaha penginapan kecil dan sederhana di Sabah. Dengan ini, hasil kajian telah menambahkan pengetahuan kepada literatur yang lepas tentang motif memulakan perniagaan dan isu operasi yang dihadapi semasa menguruskan perniagaan penginapan kecil dan sederhana. Hasil kajian ini adalah penting untuk kerajaan Negeri Sabah dalam mengawal dan menetapkan polisi untuk perniagaan penginapan kecil dan sederhana.*

*Kata Kunci: Motif, faktor, motif memulakan perniagaan, kunci isu, perniagaan penginapan kecil dan sederhana*

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Introduction**

This chapter provides a general introduction to the present research. It presents a broad background to the present research and its significance, and highlights the research aims, objectives and questions. Finally, the research scope and a brief outline of the thesis are delineated.

### **1.2 Research Background**

The tourism industry has become an important source of revenue for Malaysia's economy and revenue from the tourism industry has almost doubled between 2001 and 2005 (Ninth Malaysia Plan 2006-2010, 2006). The Malaysian Government has recognized tourism's contribution and is determined to make tourism as one of the most significant pillars in the country's overall economic development (TM's report, 1998-2002). Besides that, the importance of the sector was also highlighted in the government's Ninth Malaysia Plan which stated that with wide investment in hotel and resort development will continue to promote Malaysia as a choice destination for tourists to come (Bank Negara Malaysia, 2006). RM 1 billion has been allocated as expenditure for the purpose of facilities and infrastructure maintenance in 2006-2010 (Ninth Malaysia Plan 2006-2010, 2006). This allocation will be able to improve the country's tourism related infrastructure such as road, landscaping, public toilets, airports, railway and harbours. Operators should take the opportunity generate from government' contribution to further develop in tourism and hospitality industry, which include small and medium-sized accommodation (SMSA).



An enterprise is classified as a small and medium enterprise (SME) either by the number of employees or by the annual sales turnover (Bank Negara Malaysia, 2005). There is no specific definition for small and medium-sized accommodation (SMSA) such as bed and breakfasts, backpackers', lodge and budget accommodation in Malaysia. These accommodations are rated under orchid categories. Therefore, the definition of SMSA in the present research is based on orchid and non-orchid rating accommodation categories. The role of SMEs in a Malaysia's economic development is well recognized. As noted by the Census of Establishments and Enterprises of 2005, the total SME business establishments in 2003 were 518,996 units (Bank Negara Malaysia, 2006). 99.4 per cent of the total SME establishments that were service sector SME (Bank Negara Malaysia, 2006) and 14.5 per cent was in hotels (accommodation) and restaurants (UNDP, 2007). The accommodation sector, a subset of tourism industry (Goeldner and Ritchie, 2006) contributed RM4,021 million of contribution to the gross domestic product (GDP). Value added of service sector in Malaysia showed a 11.5 per cent increase over 2005 as shown in Table 1.1 (Department of Statistics, 2007).

**Table 1.1: Accommodation Sector's Contribution to the GDP Value Added of Service Sector at Current Prices, Malaysia 2000 – 2006**

<b>GDP Value Added of Services Sector at Current Prices, Malaysia 2000-2006 In Million Ringgit Malaysia</b>							
Type of economic activity	2000	2001	2002	2003	2004	2005	2006
Accommodation	2,640	2,816	2,874	2,864	3,383	3,606	4,021
Percentage (%) increased	-	6.7%	2.1%	(0.3%)	18.1%	6.6%	11.5%

Source: Department of Statistics (2007)

The active role of the Sabah Tourism Board is active in promoting Sabah as a global tourism destination. The increase of direct flights from major cities namely Tokyo, Seoul, Taipei, Hong Kong, Macau and Los Angeles to Kota Kinabalu (Malaysia Airlines, 2008; Air Asia, 2008), as well as the increase in hotels and resorts have boosted the tourism industry in this state. This phenomena has led encourage growth of the tourist arrivals in Sabah. The Research Division of the Sabah Tourism Board (2008) noticed that Sabah welcomed 2,478,443 visitors in 2007 as mentioned in Table 1.2. This represented a 18.5 percent increase over 2006 or tourism receipt of RM 4.7 billion (Sabah Tourism Board, 2008).

**Table 1.2: The Number of Tourist Arrivals from 2004 to 2007**

<b>Nationality</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
International	792,308	761,094	750,923	987,660
Malaysian	980,963	1,067,677	1,340,735	1,490,783
Total	1,773,271	1,828, 771	2,091,658	2,478,443
Percentage (%) increased	-	3.1%	14.4%	18.5%

Source: Research Division for Sabah Tourism Board (2008)

The number of hotels in Sabah from 2005 to 2007 has increased from 279 to 294 as displayed in Table 1.3 (Sabah Tourism Board, 2008). Based on the statistics by the Research Division of the Sabah Tourism Board, the growth in the hospitality industry continue increased only in SMSA (orchid rating and non-orchid rating) from 228 to 242 as displayed in Table 1.3. While, the specific factors that contribute to this phenomena still has yet to be identified because of lack empirical studies. Thus, it is important to understand why individuals venture into SMSA businesses.

**Table 1.3: The Number of Hotels in Sabah from 2005 until 2007**

<b>Hotel Rating</b>	<b>Numbers of hotels in 2005</b>	<b>Numbers of hotels in 2006</b>	<b>Numbers of hotels in 2007</b>
5 Star	6	7	7
4 Star	2	2	2
3 Star	17	17	17
2 Star	14	14	14
1 Star	12	12	12
3 Orchid	7	7	7
2 Orchid	4	4	4
1 Orchid	9	9	9
Non Rating	208	215	222
<b>Total</b>	<b>279</b>	<b>287</b>	<b>294</b>

Source: Sabah Tourism Board (2008)

Motivation can be broadly defined as the forces acting on or within a person that causes the arousal, direction, and persistence of goal-directed (Petri and Govern, 2004). Motivation theory is thus concerned with the processes that explain why and how human behaviour is activated. In general, motivation theories could be regarded as the product of internal drives that compel an individual to act or move (hence, "motivate") toward the satisfaction of individual needs. Motivation is considered one of the important variables to explain individual behaviour which aims to understand, predict, and influence the behaviour of an individual (Geen, 1995).

On the other hand, motivations for business start up/ self-employment/ to become entrepreneurs also have been widely studied (Taormina and Lao, 2007; Walker *et al.*, 2006). There are two main reasons why people start their own business and the expression of being either "pushed" or "pulled" has been used extensively in the literature on business start up motivation (Salimah *et al.*, 2007; Segal *et al.*, 2005). Pull factors include the desire for independence, being ones own boss, using experience and knowledge gained (Liang, and Dunn, 2003; Burke *et al.*, 2002; Fielden *et al.*, 2000). In contrast, "push" motivation which also is strong desire but

based on external negative reasons which include redundancy, job insecurity, need for supplementary income (Orhan and Scott, 2001; Glancey and Pettigrew, 1997).

The rapid growth in Sabah SMSA industry creates a challenging environment to SMSA operators. As a result, SMSA operators face more rival experience, low occupancy rates in non-peak seasons as well as increase of price war (SME annual report 2008, 2009). SMSA is an important part of economic development; government have to understanding the motives that motivate individuals to start the SMSA business and the issues faced in operating SMSA business. Therefore, appropriate strategies plans are needed in order to stabilize the SMSA industry and upgrade the business performance level to international level. Thus, in a greater view, the excellent business performance of SMSAs will eventually contribute to the country economy.

### **1.3 Research Issues**

Studies on Small and Medium enterprise (SME) have focused on business start-up reasons but not specific to the accommodation business (Shaver *et al.*, 2001; Birley and Westhead, 1994). Motivation for being in business is complex and often being used by many researchers to understand what motivate people to start business (Walker and Brown, 2004; LeCornu, *et al.*, 1996; Birley and Westhead, 1994). Numerous previous studies have also attempted to explain the reason why people go into business through the push and pull factors (Omar *et al.*, 2001; Butter and Moore, 1997). The question of what motivates people to set up or run their own businesses have been studied extensively (Walker and Webster, 2004; Watson *et al.*, 1998; Shane *et al.*, 1991). From the studies, it is clear that different individuals have different impetus or motives for starting up a business. However, there are very little empirical evidences on the motivational factors on small and medium-sized accommodation operators, especially in Sabah. In addition, most of the studies on

motivation in tourism/ hospitality industry have focused on the consumers/ tourists instead of the operators/ owners (Maoz, 2007; Ollenburg and Buckley, 2007; Nicolau and Más, 2006; Snepenger *et al.*, 2006). Motivation in tourism has been classified into internal and external forces such as “push” and “pull” factors (Yuan and Uysal, 2005; Kim, *et al.*, 2003; Gilbert and Terrata, 2001; Josiam *et al.*, 1999; Yuan and McDonald, 1990; Crompton, 1979). Furthermore, studies also recognised that the *push and pull model* is a useful framework to identify and measure the various forces that affect decision making (Chan and Baum, 2007; Klenosky, 2002; Dann, 1977).

The rapid growth in the number of hotels in Sabah has causes key issues to small and medium-sized accommodation (SMSA) operators in many ways. Previous studies reported limited financial assistance, competition/overcapacity, lower room occupancy rate, lack of government support are the key issues identified from the business operators (Gu, 2003; Saleh and Ndubisi, 2006; Sharpley, 2002; Yeoh and Chan, 1998). Nevertheless, it is not certain that these key issues are applied to SMSA.

Understanding SMSA operators in terms of start-up motives, push and pull factors and key issues are important for the government or policy makers, in order to provide compatible and conducive policies to meet their needs and hence improve business performance. More importantly, SMSA operators need to acquire a better understanding of their business entails in-depth industry knowledge, market savvy – such as competitive knowledge and how to attract customers to stay at the hotels in order to be in a better position to match their product and services to existing market demand, to predict future consumption patterns and to position themselves competitively in the global marketplace by delivering high quality and satisfying services that fulfill the needs of their customers. Thus, this paper attempts to identify “why” SMSA operators start or involve in SMSA businesses by use of attribution theory, to understand and to explain the push and pull factors in tourism and



hospitality contexts. Push factor refer to internal needs, wants, forces and pull factor refer to the external factors that lead an individual to venture into SMSA business.

#### **1.4 Research Question**

The research issues section above has pointed out the knowledge gap which the study intends to address the underlying start-up motives, push and pull factors and key issues specifically in small and medium-sized accommodation (SMSA) operators. Accordingly, three research questions are examined in this study:

1. Why do individuals start a small and medium-sized accommodation (SMSA) business in Sabah?
2. What are the individual motives to continue to run the small and medium-sized accommodation (SMSA) business?
3. What are the key issues faced by small and medium-sized accommodation (SMSA) operators?

#### **1.5 Research Objective**

Therefore the objectives of the research are:

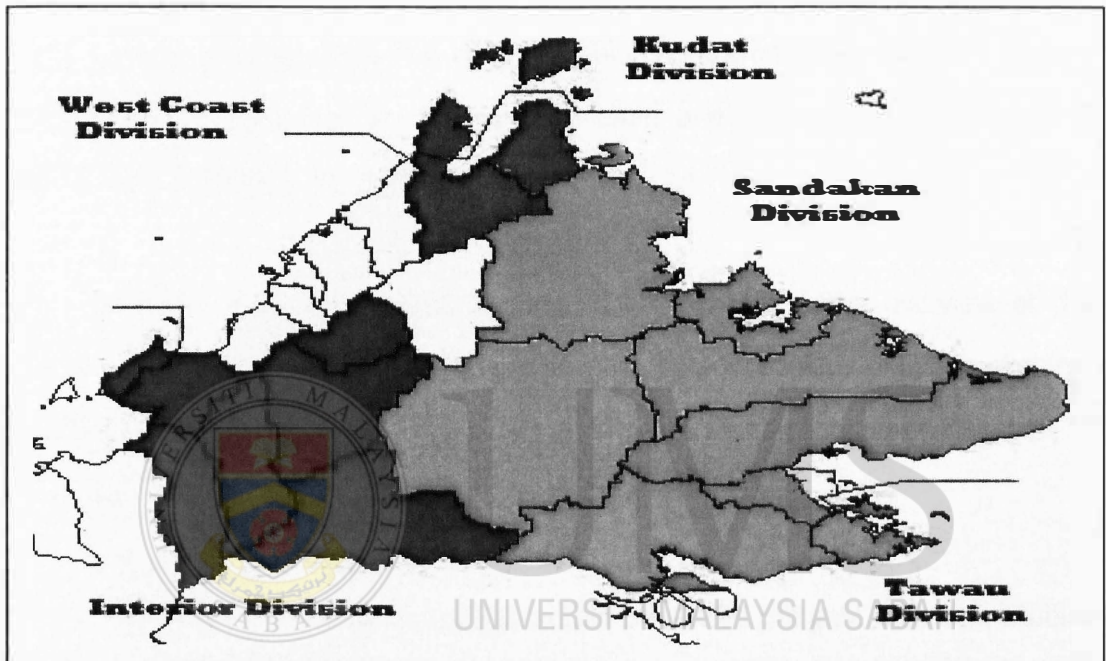
1. To explore the underlying motives and explained push and pull factors of an individual in starting up small and medium-sized accommodation (SMSA) business.
2. To explore the factors motivating individuals to continue in operating small and medium-sized accommodation (SMSA) business.
3. To highlight the key issues faced by small and medium-sized accommodation (SMSA) operators.



## 1.6 Scope of Study

The study covers all SMSA operators in whole Sabah, listed by the Sabah Tourism Board which are located in five administrative divisions – West Coast, Interior, Sandakan, Sandakan and Tawau divisions. Figure 1.1 shows the five administrative divisions in Sabah.

**Figure 1.1: Five Administrative Divisions in Sabah**



Source: Districts (2000)

## 1.7 Significance of the Study

The rapid growth in the hospitality industry creates a challenging environment to SMSA operators. It is the hope that this study will benefit the government especially the Sabah government, which is concerned with the development of SMEs, particularly in the hospitality industry. The findings provides useful information for the government to formulate new policies or modifying existing policies to encourage development of new SMSA and strategies to promote the development of existing SMSA. This includes provision of providing specific and relevant training in

hospitality management; formulate or modifying existing regulations and policies on the new hotels operators in order to optimize the numbers of small and medium accommodation-sized hotels; providing clear and understandable guidelines and information on application procedures to operate accommodation business and shortening application licensing procedure.

## **1.8 Organization of Thesis**

This research consists of the five chapters which are introduction, literature review, the research methodology and framework, results and findings and discussion and conclusions of the full research study.

Chapter one: Introduction section which highlighted the overview of the research topic and elaborates the topic in more details. Besides that, the problem statement, research objectives, and significance of research are also included to further discuss the overall picture of this study.

Chapter two: Literature review section presented the past research. Studies of researches related to the present study are gathered and explained.

Chapter three: Research Methodology chapter explained the technique and method used to conduct the research. This includes the research framework, research design, sampling design, instruments design and data analysis methods.

Chapter four: Results and Findings section which illustrated the respondents' profiles followed by the research results and discussion on the findings.

Chapter five: Discussion and Conclusions section discussed on the limitation of the research, conclusion and recommend suggestions of this study.

## 1.9 Summary

This chapter provides a broad overview of the background of the study. Research questions, research objectives and significance of the study also have been revealed in this chapter. In the next chapter, literature review on motivation theories, previous researches related on motivation factors are discussed.



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## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter reviewed on motivation theories and previous research related to motivational factors. The first part of the review clarified the understanding of SME and SMA. While the second part of the review focused on the evolution on motivation theories, the concept of motivation theories which viewed the motivation theories in different perspectives such as from Maslow's Hierarch of Needs, McClelland Needs Theory, Self-Determination Theory, Travel Ladder Theory and Attribution Theory. Next, previous research on push and pull factors in tourism as well in business are reviewed. Then, justification for the applications of the theories of motivation in present research is justified. Finally, the key issues that faced by the accommodation operators also discussed.

#### **2.2 Understanding of Small and Medium Enterprises (SMEs)/ Small and Medium-sized Accommodations (SMSAs)**

SMEs are commonly recognized as one of the leading group of economic activities globally (OECD, 2004). There is no universally accepted definition of the term "SMEs" (Mustafa Mohd and Abdul Latif, 1998) and "SMSAs" (Morrison and Conway, 2007; Morrison and Thomas, 1999). In addition, there has never been a consensus on what criteria should be used to define SMEs (Moha Asri, 1999) nor SMSAs (Cunkin and Smith, 2000). Furthermore, different sectors have defined SMEs based on their own criteria and characteristics such as annual sales turnover and number of SMEs full-time employees (Bank Negara Malaysia, 2005; United Nations Economic Commission for Europe (UNEC), 2003). On the other hand, the definition of SMEs in