Dynamics of Networking, Knowledge and Performance of Small and Medium-Sized Tourism Enterprises (SMTEs) in Terengganu, Malaysia

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I certify that all material in this thesis which is not my own work has been identified
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Abstract

Small and medium-sized tourism enterprises (SMTEs) are a fundamental component in a tourism destination's development as they are the economic engines of the tourism sector. However, the entrepreneurs running these businesses face the challenge of scale, which leads to the lack of sufficient resources and knowledge in dealing with the competitive and complex tourism business environment. Networks may be crucial for SMTEs as there is empirical evidence from other industries that enterprises have benefited from their use.

Therefore, it is the aim of this thesis to advance knowledge on the characteristics of the entrepreneurs and their SMTEs, as well as to explore the underlying benefits of absorptive capacity derived from the tourism networks for the business performance in the cultural context of Terengganu, Malaysia. A sequential mixed-methods approach was adopted, employing firstly face-to-face questionnaires and then semi-structured interviews. This thesis is considered innovative as it involved four different tourism sub-sectors (hotels and resorts, travel agencies, restaurants and handicrafts), which enables a detailed inter-sectoral comparison in researching the variables of interest. Few if any studies have taken such a detailed comparative approach within tourism studies.

A descriptive analysis of the survey data suggests that the distribution of gender is fairly balanced and distinctiveness of the characteristics of entrepreneurs and SMTEs from the inter-sectoral perspective can be observed in 8 dimensions, namely: (1) level of education, (2) years of working experience inside the tourism sector, (3) years of previous working experience, (4) business training and (5) specific training in tourism, (6) years of business operations, (7) existence of a business plan and (8) annual sales turnover. A qualitative analysis shows that the motivations for the majority of entrepreneurs are based on financial rewards. Employment practices in terms of hiring family members or not differ somewhat between enterprises and sub-sectors.

With these characteristics, the descriptive analysis indicates that entrepreneurs are more inclined towards accessing informal networks – in terms of the scale of the contacts, strength of the relationship and trust and frequency of communication – as compared to the formal networks. Inferential analysis revealed that 7 dimensions of characteristics of entrepreneurs have statistically significant relationships with the importance of formal networks in SMTEs' learning, notably: (1) formal tourism training, (2) the business plan, (3) years of working in tourism sector, (4) years living in Terengganu, (5) age, (6) capital sources from personal savings and (7) capital from families. This contrasts with the determinants of the importance of informal networks in SMTEs' learning, where only years of previous working experience was found to be statistically significant.

Building on this, hierarchical regression analyses show that absorptive capacity strongly mediates the relationship between the use of formal networks and one of the dimensions of business performance, which is the business management. Within the relationship between the use of formal networks, absorptive capacity and business management, trust and transformation are the two crucial dynamics that contributed to the significant result. Use of formal networks also appears to have a statistically significant relationship with the annual sales turnover. In this relationship, trust also plays an important role and this is followed by size of the contacts and frequency of communication. For the use of informal networks, no significant relationships are found.

These differences can also be seen in the qualitative interviews. The differences of the both networks lie in their breadth, significance and consistency as the offer of formal networks is considered advantageous compared to informal networks. There are also qualitative differences across the four different sub-sectors in their appreciation of the importance and offer of formal and informal networks. Entrepreneurs are found to be informal when they communicate with others at the individual level, while at the organisational level, the nature of the communications can be both formal and informal within the settings of business and community events.

Overall, this research makes important theoretical contributions to the tourism body of knowledge with the development of a conceptual framework based on the systematic review of the literature that primarily highlights the interlinkages between the characteristics of entrepreneurs and SMTEs, use of formal and informal networks, absorptive capacity, business management and annual sales turnover. Drawing on statistical modelling and qualitative analysis conducted on the four different tourism sub-sectors, a final integrated model is produced. The model is the first of its kind to be based on empirical evidence on the interlinkages between the different variables investigated. It provides a strong platform for further work on networks in Malaysia and beyond.

Keywords: Characteristics of entrepreneurs, SMTEs, formal networks, informal networks, absorptive capacity, business performance, business management, annual sales turnover

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CHAPTER 1
INTRODUCTION

1.1 Research Background

The tourism sector of Malaysia continues to contribute strongly to the economy as it recorded 25.7 million tourist arrival in 2017, which generated a total tourism receipt of almost RM81.4 billion (£14 billion at the 2016 constant prices; **see Appendix 1**). These figures positioned tourism as the third largest contributor in the country's Gross National Income (GNI) with RM81.1 billion (£13.95 billion at the 2016 constant prices) (National Transformation Programme Annual Report, 2017). These developments in Malaysia are in line with the assertion from Holjevac (2003) that tourism is becoming one of the crucial sectors in the world in terms of its effects on the social and economic development of a country.

One of the most important findings of tourism research is the role of small and medium sized tourism enterprises (SMTEs) in the development of the industry as they represent the economic engines of tourism destinations (Getz, Carlsen & Morrison, 2004). Since small-scale enterprises are key components in a destination's development (Shaw, 2014a), the tourism sector is largely dependent on them to contribute to the market growth. This gives further weight to the importance of the SMTEs' performance in the success of the sector and to the enhancement of livelihoods in tourism destinations (Hallak, Brown & Lindsay, 2012).

Due to this, there has been acknowledgement in the literature of the contribution of SMTEs to the economic development, which has subsequently led to a proliferation of studies that investigate the characteristics of the businesses as well as the entrepreneurs behind their creations (Thomas, Shaw & Page, 2011; Morrison, Carlsen & Weber, 2010). The nature and characteristics of entrepreneurs are very important since their role is crucial in the strategic design of the business (Ayala & Manzano, 2014).

This is underlined by research which has shown that an entrepreneur's characteristics are crucial to the success of their business in the tourism sector (Ahmad, Jabeen & Khan, 2014; Reijonen, 2008; Bowman & Swart, 2007). There are also other significant factors that contribute to the success of an enterprise since the business environment in the tourism sector is certainly complex (Haugland et al*.,* 2011). This impression is especially true given that tourism involves and demands the interaction between a great diversity of public, private and hybrid stakeholders in providing services, infrastructure and primary and secondary tourist products in making up a successful tourism destination (Zee & Vanneste, 2015). Despite the complexity of the roles played by the multitude of stakeholders who are directly or indirectly involved in a tourist destination, the tourists or consumers still perceive the value received as full and integrated experience (Zee & Vanneste, 2015; Solvoll, Alsos & Bulanova*,* 2015; Haugland et al*.,* 2011).

In the context of Malaysia, it is challenging in one sense for entrepreneurs to start-up and sustain their SMTEs as they need to consider the unique cultural profile of the country, which consists of three major ethnics groups comprising Malays, Chinese and Indians (Terpstra-Tong, Terpstra & Tee, 2014). This is important since the behaviour of entrepreneurs and their target markets are derived from the culture and beliefs that form the core values of a society (Storz, 1999). According to Terpstra-Tong et al. (2014), these core values have a profound influence on an individual's decision-making, which could leads to a variance in behaviour and attitudes in Malaysia. Thus, it is important for the entrepreneurs to adopt a business approach that is congruent with the salient values of their business contacts and target market. Since an entrepreneur's behaviour will likely be the basis of action in managing the business activities, it is important to stress the significance of cultural core values as one of the key explanatory variables in research (Looi & Kamarulzaman, 2014; Terpstra-Tong et al., 2014).

Given the cultural context in Malaysia, it is equally important to consider the role of family in the operation of SMTEs as they are found to be one of the factors that impact the decision to enter entrepreneurship (Benzing & Chu, 2009; Naffziger, Hornsby & Kuratko, 1994).

Morrison and Teixeira (2004) revealed that family lifestyle, such as the opportunity to be able to live with children and a spouse, is one of the dominant factors that has led to the decision to start up a business in the tourism sector. The decision to start a family business in the tourism sector is strengthened by an entrepreneur's perception of tourism as a suitable and pleasant sector to work in (Szivas, 2001). In addition, the low barriers to entry into the tourism sector further accommodate the family lifestyle or family business model (Morrison & Teixeira, 2004). However, past studies have also shown that entrepreneurs of small and medium-sized enterprises (SMEs) are beleaguered with the problem of raising start-up capital (Rogerson, 2008; Beck, Demirguc-Kunt & Maksimovic, 2008). In fact, more than half of these entrepreneurs are dependent mainly on personal and family savings (Elston, Chen & Weidinger, 2016; Shaw & Williams, 1998).

The lack of formal and external business capital leads to the constraints on growth among the smaller firms and these financing obstacles prevent firms from reaching their optimal size (Beck & Demirguc-Kunt, 2006). On top of these challenges, entrepreneurs also face the disadvantages of their operation size, which often leads to the lack of sufficient resources and knowledge in dealing with the current rapid and competitive business environment (Schoonjans, Cauwenberge & Bauwhede, 2013). It has been highlighted in the past literature that knowledge, over and above any other resource, is the key to competitive advantage (Grant, 1996). For this reason, a lack of knowledge will be a significant issue for the business in terms of preventing the improvement of the capacities and abilities within the organisations since the creation of knowledge, which constitutes the learning process and the ability to absorb new knowledge, is fundamental for their development and competitiveness (Lopez-Ortega et al., 2016; Davidsson, Achtenhagen & Naldi, 2005; Deakins & Freel, 1998). Specifically, this organisational capability to leverage and transform knowledge to improve business performance is known as the 'absorptive capacity' (Flatten, Greve & Brettel, 2011; Valentina & Passiante, 2009).

There is a clear need for research to address the challenges faced by the entrepreneurs of SMTEs and interestingly, one area that has attracted attention is the role of tourism networks (Shaw, 2014a; Zee & Vanneste, 2015; Morrison et al., 2010). This development has provided the foundation for SMTEs to adopt the strategy of networking as there is empirical evidence that SMEs from other sectors have benefited from this approach (Schoonjans et al., 2013; Hoang & Antocic, 2003). Generally, networking enables a business to access resources and knowledge, which are vital for business sustainability and growth (Hoang & Antocic, 2003). In the case of tourism as a service sector, Otto and Ritchie (1996) contend that the delivery of composite products is highly contingent on the collaboration between different firms with a focus on the impact of management practices on efficiency and effectiveness of knowledge transfer and absorption amongst them. In this sense, it is claimed that the most important benefits derived from a network in the tourism sector are the learning and exchange of knowledge (Morrison, Lynch & Johns, 2004). For this reason, amongst others, it is postulated that SMTEs can achieve network economies of scale, thus becoming increasingly competitive without having the disadvantages of large scale operations (Schoonjans et al*.,* 2013; Watson, 2007).

1.2 Research Issues

Although there is an increasing number of studies looking to examine the potential benefits of the network concept in tourism development and management, there remains a lack of synthesized knowledge on which to build for researchers as well as policy makers and industry practitioners (Zee & Vanneste, 2015; Shaw, 2014a; Albrecht, 2013). In the same vein, there is also a lack of attention given from the academician to the underlying process of knowledge transfer and knowledge absorption, which potentially influence the growth of the firms and which also leads to a deficient understanding of the overall process of learning and exchange between firms (Thomas & Wood, 2014, 2015; Shaw, 2014a, 2014b; Thomas et al*.,* 2011; Tinsley & Lynch, 2007). This is especially proven and heightened through the outcomes of the systematic review on the theories of network, absorptive capacity and performance of SMTEs (for further explanations, refer section 2.9 and Table 2.9 of Chapter 2).

From the results of the systematic review, it can be clearly concluded that there are no studies as yet that explicitly examine the linkages or relationships between the networks, absorptive capacity and business performance of the SMTEs. Moreover, the divergent nature of the tourism literature and conflicting recommendations from scholars further make the research efforts in this field more challenging and demanding. Baggio, Scott & Cooper (2010), for instance, suggest that more of quantitative researches on tourism networks should be conducted whereas in the study of Albrecht (2013) increased qualitative and longitudinal studies are suggested. For this reason, Zee and Vanneste (2015) concur in their review of the literature on networks in tourism management studies that the theory of networks is conceptualized in different ways and there is yet to be a universal agreement on it among scholars.

Despite this, the result of the systematic review presented in Table 4.3 in Chapter 4 clearly reveals that there is a lack of utilisation of mixed-methods as compared to the quantitative and qualitative approaches in the studies of networks, absorptive capacity and business performance. In particular, there is a need for more studies that are conducted in the cultural context of Asia and specifically within the intra-national diversity of Malaysia as most of the settings of the papers shortlisted for the systematic review of the discussed theories are situated in Europe.

All things considered, the theory of networks should serve as a productive anchor in addressing the SMTEs development since the entrepreneurs may take the opportunity to make use of the networks in retrieving the information on market intelligence, potential collaboration and partnership, financing opportunities and the environment which they are based in (Solvoll et al*.,* 2015; Grossman, Yli-Renko & Janakiraman, 2012; Novelli et al*.,* 2006). To conclude, a well-developed network should be able to foster and encourage more entrepreneurial activity and contribute positively to their business performance.

1.3 Research Aim and Objectives

Considering all the prior discussions, it is apparent that there are research gaps in the areas of entrepreneurship, network, knowledge absorption and performance in tourism (Solvoll, 2015; Zee & Vanneste, 2015; Thomas & Wood, 2015; Shaw, 2014a; Thomas et al*.,* 2011). The integration of the theories discussed above should provide a cohesive attempt at investigating and understanding the development and success of SMTEs in the cultural setting of the Malaysian tourism sector. Terengganu, one of the 14 states in Malaysia, was chosen for this study as this state has immense potential for the tourism sector to grow and contribute to the local economy. These positive developments should provide more business opportunities for local entrepreneurs and provide the foundation for stronger networks supported by strategic alliances and collaboration between the various government agencies and private stakeholders in Terengganu.

Against this background, it is the aim of this research *to advance knowledge, relative to the characteristics of the entrepreneurs and their SMTEs as well as to explore the underlying benefits of absorptive capacity derived from the tourism networks for the business performance in the cultural context of Terengganu, Malaysia*. Specifically, this research is focussed on the hotels and resorts, travel agencies, restaurants and handicrafts as they constitute the majority of tourism establishments in Terengganu (Tourism Terengganu, 2016; TripAdvisor, 2016). The inclusion of four different sub-sectors of tourism provides a good research opportunity to explore and understand the networks, knowledge absorption and business performance through the perspective of inter-sectoral comparisons. These areas are researched by the means of the following key objectives:

1. **To understand the characteristics of the entrepreneurs and their SMTEs**

The fulfilment of this objective is crucial in providing the context and platform for understanding the relationships between the networks, absorptive capacity and business performance of SMTEs.

2. **To examine the characteristics of networks used by entrepreneurs and SMTEs**

Two types of networks, formal and informal, are considered in the current study. Basically, there is a need to develop understanding of the characteristics of both formal and informal networks in terms of their sizes, strength, the degree of trust by entrepreneurs and the frequency of communication by the entrepreneurs with the networks. The reason for this is to differentiate the potential impacts of these networks on the business performance of SMTEs and their absorptive capacity.

3. **To examine the relationships between characteristics of entrepreneurs and SMTEs and the importance of formal and informal networks in increasing the knowledge of SMTEs**

This objective is important for identifying and characterizing the level of inclination towards or appreciation of a certain group of entrepreneurs and SMTEs regarding the importance of formal and informal networks in their process of business learning.

4. **To identify the mediating influence of absorptive capacity on entrepreneurs' networks and the performance of SMTEs**

The achievement of this research objective would represent a significant contribution to the body of knowledge on SMTEs. Notably there is the need to evaluate the mediating effect of the absorptive capacity on the entrepreneurs' networks and business performance.

5. **To understand the context of relationships between the characteristics of entrepreneurs and SMTEs, formal and informal networks, absorptive capacity and business performance**

Building on the previous objective, there is a need for a deeper understanding of the underlying relationships between absorptive capacity, networks, business performance and the characteristics of entrepreneurs and their SMTEs.

1.5 The Outline of the Thesis

There are 9 chapters overall in the current thesis and it is structured as follows. Chapter 2 presents a literature review, including a systematic review of the characteristics of entrepreneurs and SMTEs, networks, absorptive capacity and business performance.

An overview of the tourism sector in Terengganu follows in Chapter 3, giving the reader insight into this state in Malaysia and a justification for its selection as a location for research in this thesis. Chapter 4 presents the methodological approach taken, including discussion of the philosophical basis of the research, and is supported by the use of systematic review to inform the choice of methods.

The results are then presented in a series of chapters. First, in Chapter 5 a descriptive analysis is presented of the characteristics of entrepreneurs and their SMTEs from both overall and inter-sectoral perspectives. Chapter 6 then presents the descriptive and inferential quantitative results of the characteristics of formal and informal networks, the impacts of the characteristics of entrepreneurs and SMTEs on the importance of formal or informal networks in SMTEs' learning as well as the mediating effect of absorptive capacity on the use of formal and informal networks and business performance. Chapter 7 reports on the qualitative analysis of the characteristics of entrepreneurs and SMTEs, which consists of the motivation behind the business start-up, nature of employment and culture of entrepreneurs. Chapter 8 presents the findings of qualitative interviews, giving insights into the nature of the quantitative results reported earlier.

Finally, Chapter 9 presents the conclusions and outlines the key findings on the five research objectives. At the end of this chapter, research limitations, future research recommendations and key contributions are highlighted.

CHAPTER 2
LITERATURE REVIEW

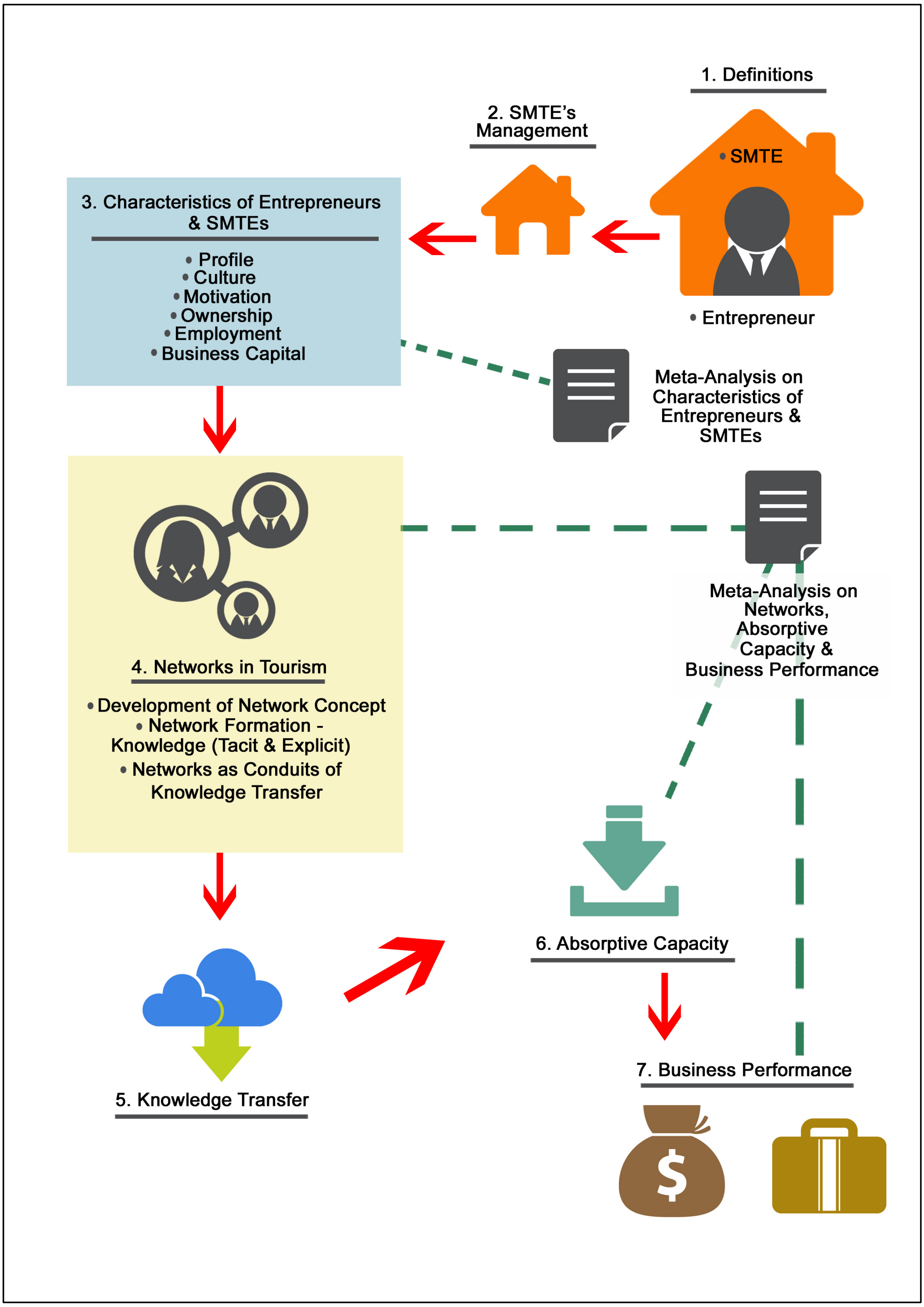
2.1 Introduction

This chapter aims to review the past literature on the characteristics of entrepreneurs and SMTEs, networks, absorptive capacity and business performance. Figure 2.1 presents a diagram which underpins the discussion of the literature on the components contained in this chapter. It can be seen that two distinct systematic reviews have been conducted to address different parts of this conceptual framework.

The definitions of entrepreneurs and SMTEs are presented in sections 2.2 and 2.3 respectively. This is followed by a discussion of SMTE management in section 2.4. Section 2.5 presents a systematic review of the literature on the characteristics of SMTEs and their entrepreneurs. Then, section 2.6 addresses the characteristics of entrepreneurs and SMTEs before moving on to the use of the concept of networks in tourism in section 2.7. The theory of knowledge is presented in section 2.8 and this is supplemented by a second systematic review on the networks, absorptive capacity and business performance in section 2.9. Section 2.10 discusses the role of networks in the process of knowledge transfer. The literature on knowledge transfer is then discussed in section 2.11, with a focus on absorptive capacity in tourism in section 2.12. Section 2.13 presents a discussion on the multidimensionality of business performance.

At the end of this chapter, a summary and a conceptual framework is provided on what has been discussed in addition to the justifications for conducting research that links the characteristics of entrepreneurs and SMTEs, networks, absorptive capacity and business performance.

Figure 2.1 – Connections Between Key Areas of Interest Covered in the Thesis



Source: Author

2.2 Definitions of Entrepreneurs

It is first important to examine the definition of an entrepreneur. Looking at the term of ‘entrepreneur’ itself, there is no universal consensus among scholars on its definition, let alone the agreement on the sub-types derived from the concept itself (Getz & Petersen, 2005; Ucbasaran, Westhead & Wright*,* 2001). Entrepreneurship is mostly linked with the exploitation of a business opportunity that include the start-up of an innovative business, which is related to the founder’s characteristics of having a risk taking propensity, a desire to achieve economic gains and a willingness to grow (Stokes, 1998; Baron, 1998; Keats & Bracker, 1988). Contradicting the concept of entrepreneurs, many of the business owners considered in this research may not be as innovative, creative or resilient in implementing changes in a consistent or purposeful manner (Busenitz & Barney, 1997). This is because it is considered that small businesses are established upon existing ideas and practices in an industry that they are already well familiar with, which demonstrates a trait of risk aversion (Stokes, 1998, Carland et al*.,* 1984).

However, there are also many other scholars who argue that entrepreneurship’s most frequent expression is the setting up of a firm or founding of a business, which is comparable to innovation in the development of products or services in its purest form (Timmons & Spinelli, 2003; Thornton, 1999; Reynolds, 1991). Consequently, it is getting increasingly difficult to distinguish these two strong perspectives regarding the basis reasons some business owners are considered as entrepreneurs and the others are not – since it is not always evident in the research streams of entrepreneurship and small business with scholars utilising both concepts interchangeably (see, for instance, the studies of Sexton & Landstrom, 2000 and Mazzarol et al*.,* 1999).

Since a detailed analysis of the conceptual differences of entrepreneurs and business owners is beyond the scope of this study, both concepts will be used interchangeably, noting the differences mentioned above.

In other words, the terms of ‘entrepreneur’ and ‘business owner’ are taken to refer to the same individual that started and runs the SMTE in question. With this in mind, the next section will address the definition of an SMTE.

2.3 Definitions of an SMTE

According to Fuller (2003), the term “small and medium sized enterprise” has been extensively used in explaining the firms of both categories, which is small and medium sized together with other terms such as micro-enterprise and self-employed or sole proprietor. Conversely, there is no universal consensus on this theoretical issue among the scholars as the definitions differ vastly between countries generally and industries specifically. Based on a study of member countries in the Organisation for Economic Cooperation and Development (OECD) by Atkins and Lowe (1997), it has been identified that there are at least 40 different definitions in the literature. Storey (2000) concludes that most of the definitions are based on the objective measures of size, namely the number of employees, sales turnover and profitability or net worth.

In line with this notion, the European Commission (EC) introduced three components of Micro, Small and Medium into the definition. This definition is introduced as a practical tool designed to avoid the arbitrary distinctions. Table 2.1 presents the definition based on the Commission’s Recommendation 2003/361/EC.

Table 2.1 – EC Distinction Between Micro, Small and Medium Enterprise

Type of Business	**Requirements**	
	Employees	**Threshold**
Micro	Fewer than 10 persons	Annual turnover and balance sheet does not exceed EUR 2 million
Small	Fewer than 50 persons	Annual turnover and balance sheet does not exceed EUR 10 million

Medium	Fewer than 250 persons	Does not exceed annual turnover of EUR 50 million and balance sheet of EUR 43 million

Source: European Commission 2016 (EU Official Journal L124 of 20 May 2003)

Based on EC's definition of an SME, a business must follow the mandatory criterion of the number of employees and may choose to meet either the turnover or balance sheet ceiling. As for the United States (US), their definition of a small business is more industrially based as the definitions vary from industry to industry. In particular, the US Small Business Administration (SBA) sets size standards on the definitions that are based on the number of employees or average annual receipts. Table 2.2 presents the size standards for a selected industrial group.

Table 2.2: SBA Small Business Size Standard for Selected Industrial Group

Industry Group	Numerical Standard
Agriculture	Maximum of USD750,000 in average annual receipts
Mining	Maximum of 250 to 1,500 employees depending on sub-sector within mining
Construction	Maximum of USD36.5 million in average annual receipts
Manufacturing	Maximum number of employee ranges from 500 to 1,500
Real Estate, Rental & Leasing	Maximum of USD7.5 million to USD32.5 million in average annual receipts
Arts, Entertainment & Recreation	Maximum of USD7.5 million to USD38.5 million in average annual receipts
Accommodation & Food Services	Maximum of USD7.5 million to USD38.5 million in average annual receipts

Source: SBA (2017)

Comparing the US definition approach on small businesses with their European counterparts, it is different as SBA recognizes the factor of sector-sensitive as some sectors have been advised to use the average annual receipts criterion while others need to adopt the criterion of the number of employees. Notably, in Malaysia, their definition approach on SME incorporates both perspectives of EC and SBA to a certain extent. In 2013, the Malaysian Central Bank issued a circular containing a new definition for small and medium sized enterprises. Within the circular, the Bank stressed the importance of the review of the definition in considering many developments since 2005, which include price inflation, structural changes and changes in business trends. The revision of the small and medium sized enterprise definition in Malaysia by the Central Bank of Malaysia (2013: 1) comprises:

1. Raising the qualifying threshold for sales turnover and employment of small and medium sized enterprises for sectors and size of operation.
2. Simple classification by sectors into 2 categories:
    - Manufacturing; and
    - Services and other sectors.
3. Specification of the scope of small and medium-sized enterprises for statistical purposes, eligibility criteria of small and medium sized enterprises for government assistance and exclusions.

The specific details on the new definition are depicted in Table 2.3. Accordingly, a business will be classified as a small to medium-sized enterprise if it meets either one of two indicators or whichever is lower of sales turnover or full-time employees. The classification of the industries covers the following:

1. **Manufacturing** refers to the physical or chemical transformation of materials or components into new products.
2. **Services** refers to all services including distributive trade, hotels and restaurants, business, professional and information communication technology (ICT) services, private education and health, entertainment, financial intermediation, and manufacturing-related services such research and development (R&D), logistics, warehouse, engineering etc.

3. **Other Sectors** refer to the remaining 3 key economic activities of primary agriculture, construction and mining and quarrying.

Table 2.3 - New Small and Medium Sized Enterprises Details by Size of Operation

<table>
<tr><th>Category</th><th>Micro</th><th>Small</th><th>Medium</th></tr>
<tr><td>Manufacturing</td><td rowspan="2">Sales turnover of less than RM300,000 OR full time employees less than 5</td><td>Sales turnover from RM300,000 to less than RM15 million OR full time employees from 5 to less than 75</td><td>Sales turnover from RM15 million to not exceeding RM30 million OR full time employees from 75 to not exceeding 200</td></tr>
<tr><td>Services & Other Sectors</td><td>Sales turnover from RM300,000 to less than RM3 million OR full time employees from 5 to less than 30</td><td>Sales turnover from RM3 million to not exceeding than RM20 million OR full time employees from 30 to not exceeding 75</td></tr>
</table>

Source: Central Bank of Malaysia (2013)

The definition of SMTEs in the context of Malaysia can be found in the section of **Services** within the circular. Despite the availability of this definition by the relevant authorities, there is undeniably more to the nature of the tourism sector itself, which makes it rather interesting to answer the question of the suitability in applying the general small business definition to SMTEs.

The tourism sector consists of many different business establishments such as hotels, restaurants, theme parks, travel agencies and others where every business requires a different workload and numbers of employees. As a result, the adoption of such indicators may ignore the dynamic complex nature of the tourism sector. This implies too much homogeneity among the small businesses which consequently, makes it difficult for a cross-industrial comparison (Burrows & Curran, 1989). For instance, the indicators of the sales turnover and number of employees is not enough to define the sector as there is also the issue of seasonality and changing records of sales and employees. In other words, it does not necessarily mean that the categorisation of all the firms as small in some of the sectors will accurately reflect the other businesses from different sectors (Storey, 2000). Taking note of these issues, Morrison (1996: 400) uses the grounded approach by incorporating the aspects of range of physical facilities, markets of operation, geographic location and ownership arrangements:

> *A small and medium tourism enterprise is financed by one individual or small group and is directly managed by its owner(s), in a personalized manner and not through the medium of a formalized management structure. In comparison to the largest unit of operation within its particular tourism sector, it is perceived as small, in terms of physical facilities, production, service/capacity, market share and number of employees*.

In scrutinizing the definition, it can be understood that the first part focuses on the sources of business capital from an individual or small groups which are comparably smaller than that of a corporation or a large group of investors. Then the definition addresses the crucial role of owners, where they are the one that oversees all the management functions in the business.

Since this research aims to examine the relationship between the absorptive capacity from the networks of SMTEs in Terengganu, it is considered appropriate to integrate the presented definitions by Fuller (2003) and the Central Bank of Malaysia as well as the grounded approach by Morrison (1996).

This decision is made given the many factors that need to be considered in each tourism sub-sector. As Storey (2000) notes, the inclination of researchers is to use their own definitions of small enterprises which conform to their target group parameters. On top of this, this decision is also validated due to the practicality and objectivity of a statistical definition in measuring the size of a business (Storey, 1994), the flexibility of the inclusion of micro-enterprises and those self-employed or sole proprietor (Fuller, 2003), and the sensibility of the grounded approach definition in studying the managerial and behavioural aspects of the management of the SMTEs.

Based on these decided definitions of entrepreneurs and SMTEs, the next logical stage of discussion would be focussed on the second main components of the chapter, which come in the shape of the management of SMTEs within the dynamic of the tourism sector. As Lumpkin and Dess (1996: 138) assert, '*the small business firm is simply an extension of the individual who is in charge*'. Therefore, this component is considered important before the discussion moves to the results of the systematic review as it will provide a greater dimension of understanding on the characteristics of SMTEs.

2.4 Understanding the SMTEs Management Within the Dynamics of the Tourism Sector

As an extension of the entrepreneurs, SMTEs play a fundamental role in meeting the specific needs and demands of their customers, especially at a time when the market is dominated by the requests for tailored experience (Sundbo, Orfila-Sintes & Sorensen, 2007; Novelli et al., 2006). Interestingly, this notion is totally in contrast with the argument from Ritzer and Liska (1997). They assert that the tourism sector in general and most of today's society have been 'McDonaldized', at least to some extent.

The basis for this claim can be seen in many tourism destinations adopting 'tourist products' that can be simply found in any part of the world, thus forsaking the distinctiveness of the identity ingrained at any specific locale to some extent.

They further explain that people travel to other places in order to experience much of what they experience in their day-to-day lives, hence, the term ‘McDonaldized’. In sum, people that are used to living in a ‘McDonaldized’ world will want a highly predictable, efficient and controlled vacation. This, in a way, led to what Ritzer and Liska call ‘dehumanizing experience’. Unsurprisingly, the theory of McDonaldization has been linked with the model of capitalism development comprising the production and consumption of ‘Fordism’ (Arnegger, Woltering & Job, 2010; Torres, 2002). Fordist production and consumption can be seen in the shape of ‘mass tourism’, which consists of a wide diversity of attractions and activities that are depicted by highly standardized, packaged and inflexible tourism products (Torres, 2002). Due to the increasingly difficult adaptation of Fordism modes of production to globalization as well as fast-changing and demanding consumer behaviour, several scholars have argued that there has been a recent change of the paradigm towards post-Fordism.

The forms of post-Fordism are more diversified and the tourism commodities are also more flexible as the stakeholders rely more on the economies of scope instead of the economies of scale that are normally linked with the Fordist modes of production (Arnegger et al*.,* 2010; Torres, 2002). In particular, Debbage (1992) explains that the post-Fordist mode of production can be observed through the shifting patterns from mass production of a limited number of products to the efficient manufacturing of a diversified range of tourism products in small batches. As a consequence of the changing needs and demands from the tourists, Mowforth and Munt (2009) note the emergence of numerous niche markets in the tourism sector with the generic and mass tourist products. In a way, the growth of these niche markets is also a reflection of the ever-dynamic nature of the tourism sector itself, which also contributes to another theory that is known as ‘neo-Fordism’ (Ionnides & Debbage, 1998).

Basically, neo-Fordism entails changes in the characterization of mass tourism in becoming more individualized and having a flexible specialization, niche market segmentation and mass customization, which is the opposite of the complete cessation of the Fordism production and consumption as suggested by the theory of post-Fordism.

Considering these discussions on tourism production and consumption, it needs to be understood that the reality of the situation in the current landscape of the tourism sector is that in most part of the world, the sector is fundamentally embodied by the contemporaneous existence of the complex spectrum of pre-Fordism, Fordism, post-Fordism and neo-Fordism (Arnegger et al*.,* 2010; Torres, 2002; Agarwal et al*.,* 2000).

Although these forms of production and consumption can be observed to coexist at any one time or location, there is no repudiating the fact that tourism as a dynamic service sector is characterised by continuous changes and transformation due to ever-evolving of tourist preferences and the emergence of new technology (Hall & Williams, 2008; Wahab & Cooper, 2001; Agarwal et al*.,* 2000). In fact, Pine and Gilmore (1998) strongly argue that the world's economy has transformed dramatically in recent times, shifting from service-based to experience-based. Kim, Ritchie and McCormick (2012) further add that this will continue to change as our needs and societies evolve toward an emphasis on the consumption of experience. This explains the reason behind the tourist choice to primarily seeking an engagement in experience accompanied by traditional goods or service components of the destination (Oh, Fiore & Jeoung, 2007; Pine & Gilmore, 1998).

The demand for more experience-based products in the tourism sector has caused established and larger firms to innovate and come out with offerings designed to create memories, engagement and emotional involvement for tourists to a limited extent (Solvoll*,* et al., 2015). Since SMTEs dominate the area numerically (Shaw, 2014a), the tourism sector therefore, is largely dependent on them to transform the sector towards experience-based products offerings as they have a crucial role in conditioning the direction of a destination's development. This further stresses the importance of the SMTEs' performance in the success of the industry and the livelihood of people in the tourism destinations (Hallak et al, 2012). For these reasons, it is essential to have an understanding of SMTE management as the efficiency and effectiveness of this will likely influence their business performance.

As Venkatraman and Ramanujam (1986: 801) put it, the improvement of SMTEs' performance is '*at the heart of strategic management*'. Notably, SMTEs are run in the same style as general small business management and naturally will face the same challenges or difficulties in terms of management or organisational structure (Morrison, Rimmington & Williams, 1999). In terms of comparison between small and large firms, Storey (1994) argues that there are three general differences which are:

1. **Uncertainties** - Small firms face more external uncertainties compared to the large firms (Storey, 1994). These external uncertainties are related to the lack of influence over the market environment in terms of products, services and customers (MacGregor, 2004; Hill & Stewart, 2000). In terms of internal consistency, however, the large firms face internal conflicts that exist between the managers and shareholders as compared to the 'closeness of the relationship' between the owners and their small firms (Storey, 1994).
2. **Innovation** - Large firms are more likely to invest in research and development as compared to the small firms (Storey, 1994). However, small firms are more flexible and receptive to new innovation because of the absence of commitment to the product and service standardizations (Burns, 2001; Storey, 1994).
3. **Evolution and Change** - According to Storey (1994), the propensity to change the style of management and structure of the organisation is more likely to happen in small firms as they grow.

In the same vein, Carter (1996) provides additional perspectives on this comparison by providing a summarisation of the management between the small and large firms (see Table 2.4). The summarisation of the comparison in Table 2.4 indicates that there are distinctive differences between small and large firms at all management levels which consist of the internal and external dimensions of the environment, knowledge, communications and control systems related to business performance to name a few.

Table 2.4 - Management Differences of Small and Large Firms

Small Firms	Large Firms
Short-term planning horizon	Long-term planning horizon
React to the environment	Develop environmental strategy
Limited knowledge of environment	Environmental assessments
Personalized company objectives	Corporate strategy
Communication informal	Formal and structured communication
Informal control system	Formalized control system
Loose and informal task structure	Job descriptions
Wide range of management skills	High specialist / technical skills demanded
Income directly at risk in decision making	Income derived from wider performance base
Personal motivations directly affect company performance	Broader based company performance

Source: Carter (1996)

Given the dynamics of the tourism sector as well as the clear differences of management between the SMTEs and large businesses, it is important to further develop the discussion on the characteristics of entrepreneurs and SMTEs by further exploring the literature through the perspective of the results of the systematic review.

2.5 Systematic Review of Characteristics of Entrepreneurs and SMTEs

Three different systematic reviews were conducted to assess the proposed research objectives and give the current overview of the tourism studies that specifically examine the concepts of characteristics of entrepreneurs and SMTEs, networks, absorptive capacity and business performance. The three individual systematic reviews focussed on, respectively: (1) characteristics of entrepreneurs and SMTEs, (2) networks, absorptive capacity and business performance and (3) methodology.

The findings of the systematic review on methodology is presented in Chapter 4 while the results of the first two analyses are illustrated and discussed in the current chapter. Generally, there are three steps employed in completing the process of systematic review. In the first step, Google Scholar was used to search for research papers for the systematic review. Google Scholar is a web search engine that indexes the full text of scholarly literature comprising a collection of research publications and disciplines from the major databases. For the second step, search terms representing ‘characteristics of entrepreneurs’ ‘characteristics of small and medium sized tourism enterprises’ or ’SMTE’, ’tourism networks’, ’networks’, and ‘absorptive capacity’ in the title, abstract or keywords were combined to find relevant research articles in the tourism sector.

Initially, other alternative search terms such as ‘knowledge transfer’, ‘alliances’, ‘collaboration’, ’knowledge management’ and ’knowledge sharing’ as well as research in the general management literature were considered to be included in taking account of variations in concepts that related to SMEs and their networks and knowledge absorption. However, this resulted in many publications that do not fall into the scope of this research.

Thus, it was decided that the search for the research articles should be constrained to the scope of the tourism sector and the variables used in this study. The third step of double manual checking through reading of titles and abstracts was applied to remove any articles that did not address the scope of this study or that were not research articles or conceptual papers.

Only research papers in English were included for the systematic review and there was no limit imposed on the timing of publication. Overall, 66 papers were identified in the tourism literature that were within the scope of this study. These articles were read, categorised and coded. All the articles were coded into the systematic review by following categories that were based on the proposed research objectives: characteristics of entrepreneurs; characteristics of the SMTEs; characteristics of networks; absorptive capacity; performance; sector; location; sample size; respondent and methodology.

The interpretation and discussions were then based on the systematic review on each of the mentioned categories. Given that the first variable is the characteristics of entrepreneurs and SMTEs, the following Table 2.5 presents the systematic review in this area from year 1980 to 2018. The results from Table 2.5 will then be used as the premise for the discussions in the following two main sections of the third component of this chapter: (1) characteristics of entrepreneurs – consisting of profile, motivation and culture, and (2) characteristics of SMTEs – consisting of ownership, employment and business capital.

Table 2.5 – Results Summarisation for the Systematic Review of Characteristics of SMTEs Entrepreneurs from Year 1980-2018

No	Author	Year	Characteristics of Entrepreneurs and SMTEs														
			Profile											Culture	Motivation		
			Age	Marital Status	Gender	Race	Education	Previous Working Experience	Years in Business	Formal Training	Ownership	Business Capital	Employment		Lifestyle	Family Factor	Economic
1	Stallibras	1980	✓	✓	✓	x	x	✓	x	x	✓	✓	✓	x	x	x	x
2	Shaw & Williams	1987	✓	x	x	x	✓	✓	x	✓	✓	✓	x	x	x	x	x
3	Williams, Shaw & Greenwood	1989	x	x	✓	x	x	✓	x	✓	✓	✓	✓	✓	✓	✓	✓
4	Glancey & Pettigrew	1997	✓	x	x	x	✓	✓	x	x	x	x	x	x	✓	x	✓
5	Kontogeorgopoulos	1998	x	x	x	x	x	x	x	x	✓	x	✓	x	x	x	x
6	Page, Forer & Lawton	1999	x	x	x	✓	x	x	✓	x	✓	✓	✓	✓	✓	x	✓
7	Getz & Carlsen	2000	✓	✓	✓	x	✓	x	✓	x	✓	x	✓	x	✓	✓	✓
8	Ozer & Yamak	2000	x	x	x	x	x	x	x	x	x	✓	x	x	x	x	x
9	Szivas	2001	✓	x	x	x	✓	✓	x	x	x	✓	✓	x	✓	x	✓
10	Andriotis	2002	x	x	x	x	✓	✓	✓	x	✓	✓	x	x	x	x	x
11	Avcikurt	2003	✓	x	✓	x	✓	✓	x	✓	x	x	x	x	x	x	x
12	Morrison & Teixeira	2004	✓	x	✓	x	✓	x	x	x	x	x	✓	x	✓	✓	✓
13	Getz & Petersen	2005	✓	✓	✓	x	✓	x	✓	x	✓	x	✓	x	✓	✓	✓
14	Petrou & Daskalopoulou	2009	✓	x	✓	x	✓	✓	x	✓	✓	x	✓	x	x	x	x
15	Valentina & Passiante	2009	✓	x	x	x	x	x	✓	x	x	x	✓	x	x	x	x
16	Lashley & Rowson	2010	x	x	x	x	x	✓	x	✓	x	x	✓	x	✓	✓	x
17	Prajapati & Biswas	2011	✓	x	✓	x	✓	✓	x	x	x	x	✓	x	x	x	x
18	Abdul-Halim, Muda & Wan-Mohd-Amin	2011	✓	✓	✓	x	✓	x	✓	x	✓	x	x	x	x	x	x
19	Jaafar et al.	2012	✓	x	✓	✓	✓	✓	✓	✓	x	✓	x	x	✓	✓	✓
20	de Klerk & Saayman	2012	✓	x	✓	✓	✓	x	✓	x	x	x	x	x	✓	x	✓
21	Chen & Elston	2013	✓	✓	✓	x	✓	✓	✓	✓	✓	✓	✓	x	✓	✓	✓
22	Eravia, Handayani & Julina	2014	✓	x	✓	x	✓	✓	x	x	x	x	x	x	x	x	x
23	Umeze & Ohen	2014	✓	x	✓	x	✓	✓	✓	✓	✓	x	✓	x	x	x	x
24	Tsai, Wu & Wang	2014	✓	✓	✓	x	✓	x	✓	x	x	x	x	x	x	x	x
25	Ahmad	2015	✓	x	✓	x	✓	✓	✓	✓	✓	✓	x	x	x	✓	✓
26	Costa et al.	2015	✓	✓	✓	x	✓	x	x	x	x	x	x	x	x	x	x

27	Lee, Hallak & Sardeshmukh	2016	✓	x	✓	x	✓	✓	x	✓	✓	x	✓	x	x	x	x
28	Diaz-Chao, Miralbell-Izard & Torrent-Sellens	2016	✓	x	✓	x	✓	x	✓	✓	x	x	✓	x	x	x	x
29	Gautam	2016	✓	x	✓	x	✓	✓	✓	x	x	x	✓	x	x	x	x
30	Raihani et al.	2016	✓	x	✓	✓	x	x	✓	x	x	x	x	x	x	x	x
31	Mitra & Paul	2017	x	x	✓	x	x	✓	x	x	x	x	x	x	✓	✓	✓
32	Sitabutr & Pimdee	2017	✓	x	✓	x	✓	✓	x	x	x	x	✓	x	x	x	x
33	Sun & Xu	2017	✓	✓	✓	x	x	x	x	x	✓	x	x	✓	✓	x	x
34	Korze & Lebe	2017	✓	x	✓	x	✓	x	x	x	x	x	x	x	x	x	✓
35	Wang	2018	✓	x	✓	✓	✓	x	x	x	x	x	x	x	x	x	x
TOTAL PAPERS			**28**	**8**	**26**	**5**	**25**	**19**	**15**	**11**	**15**	**10**	**18**	**3**	**13**	**9**	**13**

Source: Author

2.6 Characteristics of Entrepreneurs and SMTEs

Entrepreneurs play a vital role in the operation of SMTEs and it has been strongly argued that their characteristics may influence several outcomes of their ventures (Ucbasaran et al*.,* 2001). The characteristics of entrepreneurs, such as their profile, which includes family, education and previous working experience are reported to be one of the major factors in starting up a business (Cooper, 1981). In the same vein, previous literature has also examined the different factors of businesses such as ownership, employment and business capital (Ahmad, 2015; Jaafar et al*.,* 2011). Based on the literature reviewed in Table 2.5**,** it can be noted that there are differences in terms of patterns over time as well as the number of papers that address the dimensions included in the systematic review. With this in mind, the next sub-section will examine this pattern in detail and starts the discussion with the findings of the past literature on the profile of SMTE entrepreneurs.

2.6.1 The Profile of SMTE Entrepreneurs

The pattern over time indicates that profile dimensions such as age, gender, education and previous working experience have been consistently researched from the 1980s onwards (see Table 2.5). This explains the extensive number of studies that investigate age (28 papers), gender (26 papers), education (25 studies) and previous working experience (19 papers). Looking at gender for instance, it is well documented in the systematic review that most SMTEs are predominantly managed by men (Ahmad, 2015; Avcikurt, 2003; Williams et al*,* 1989), and this is also the case in Malaysia (Jaafar et al*.*, 2011). This uneven distribution of business ownership is not surprising given the influence of culture and the entry barriers faced by women, including insufficient access to the finance and credit facilities (Ahmad, 2015; Itani, Sidani & Balbaaki, 2009; Haan, 2004). Jaafar et al*.* (2011) discuss the cultural influences on entrepreneurship in Malaysia, where the men are head of the family and decision-makers. This is reflected in the privilege of the male entrepreneurs or owners have compared to their female counterparts.

On the other hand, previous studies included in the systematic review (see Table 2.5) also reveal that most of these owners or entrepreneurs are specifically in the age range of 25 to 50 (Ahmad, 2015; Jaafar et al*.,* 2011; Avcikurt, 2003; Szivas, 2001; Shaw & Williams, 1987) and are also reported to be married (Chen & Elston, 2013; Getz & Petersen, 2005; Getz & Carlsen, 2000). Notably for the dimension of marital status, there are a low number of studies (8 papers) that include it as part of their research on the characteristics of entrepreneurs and SMTEs. This might be attributed to the lack of interest from academicians to use the 'copreneurial owners' (married couples) as the main context of their studies. However, it is interesting to note the link of marital status and gender. Costa et al. (2015) highlight the higher percentage of married male entrepreneurs (64.5%) as compared to female entrepreneurs (37.8%) in tourism. They attribute this result to the gendered responsibility in maintaining the family-work-life balance such as household tasks and caring, where female entrepreneurs are held responsible and often face the dilemma of having to prioritize family over work.

In contrast with the scarcity issue linked with the marital status, it seems that there are inconsistent findings of the many papers in the systematic review on the level of formal education among the entrepreneurs with SMTEs. In Australia, for example, Getz and Carlsen (2000) found that the largest group (42.2 percent) of their respondents had high school qualifications, followed by 34 percent who had college diplomas and university degrees, and 12 percent had a trade qualification. This finding is comparable with the findings in Dubai by Ahmad (2015) where more than 30 percent of the respondents had university qualifications. In the research setting of Scotland, however, the distribution of entrepreneurs with high school and university qualifications is more equally balanced (Glancey & Pettigrew, 1997). This pattern can also be observed in other countries like China, Turkey and Slovenia, where the distributions of high school and university qualifications are fairly balanced (Avcikurt, 2003; Wang, 2018, Korze & Lebe, 2017). This is totally different from the findings in the United Kingdom where the percentage of entrepreneurs with college and university qualifications is higher at 70 percent (Szivas, 2001).

In terms of the entrepreneurs' previous experience or occupations before they started business in the tourism sector, the studies listed in the systematic review have reported interesting findings, with not all of them having experience and knowledge in this sector. This is proven by the fact that two-thirds of the owner-managers were from different sectors such as agriculture, retail, education and others (Szivas, 2001). In fact, Lashley and Rowson (2010) note that for the business owners in their study that claimed to have some previous hotel or business experience, often in the end this amounted to little more than working in a retail business or a pub, as very few had the experience of running an actual tourism business.

This is also the case in the study of Ahmad (2015), where only 24 percent of the entrepreneurs had previous working experience in the tourism and hospitality sector. Since there are many entrepreneurs that start up their business without any prior experience and knowledge in the tourism sector, they mostly had to learn the needed skills in running their daily operation on the job (Szivas, 2001). Apart from learning on the job, it is also reported that some of the entrepreneurs are committed to joining the formal one-to-two-week short vocational training courses organised by local authorities (Ahmad, 2015). Importantly, it is on this kind of formal training course in tourism that owner-managers find the opportunity to network with other people that have similar business interests (Ateljevic et al., 1999). According to Frazier and Niehm (2004), this type of formal networking has been utilised by small firm owner-managers as a source of knowledge to improve the operations and marketing of their businesses.

Despite these assertions, there are contrasting views on the importance of formal training among owner-managers in the tourism sector. Some of the entrepreneurs believe that they do not need formal training because they have better knowledge of their business compared to anyone else (Dewhurst, Dewhurst, Livesey, 2007). Furthermore, they are more inclined to do on the job training compared to attending formal training as this will provide opportunities for their staff to learn while they are working (Jaafar et al, 2011). This explains the fairly low levels of involvement in training or development programs in the tourism sector (Schroeder, 2003), and hence, the fairly low number of papers (11) that integrate this dimension into their studies on characteristics of entrepreneurs (see Table 2.5). However, without any work experience, prior knowledge and any formal training, the entrepreneurs or owner-managers will likely lack the required tools to enable them to run and manage their business properly, thus limiting the growth prospects of their businesses (Ahmad, 2015, Jaafar et al*.,* 2011; Morrison et al*.,* 2010). Especially in the context of Terengganu, it is also important to consider the importance of cultural influences in addition to the profile of the entrepreneurs. As previously mentioned, culture and beliefs shape the core values of a society and in turn influence the behavioural aspect of the entrepreneurs and their surrounding societies (Storz, 1999). The following sub-section delves further into the cultural values within the intra-national diversity of Malaysia.

2.6.2 The Cultural Values of the Malaysian Entrepreneurs

As depicted in Table 2.5, there is a dearth of studies that investigate the cultural context in the analysis of characteristics of SMTE entrepreneurs. Specifically, there are only three papers – Williams et al*.* (1989), Page et al*.* (1999) and Sun and Xu (2017) – that integrates the discussion of cultural context into their analysis of the characteristics of entrepreneurs in England, New Zealand and China. The paucity of papers in the systematic review that investigate the cultural factor as an explanatory variable further heightens the importance of this in the present work as studies have proved that different cultural values play a significant role in shaping the attitude and behaviours of an individual or entrepreneur. This is exhibited by the findings revealed by Williams et al*.* (1989) on the links of sociocultural factors, namely, the rejection of economic maximisation and the desire to move to Cornwall on the routes to tourism entrepreneurship. In examining the dimension of culture in the systematic review, it is also important to note that race has not been extensively researched despite the significant number of papers that have been conducted in Asian countries such as Malaysia (see Table 2.6), which is blessed with a rich history, cultures and different races and ethnicities (Terpstra-Tong et al., 2014).

Table 2.6 – Research Settings and Number of Papers from Systematic Review on the Characteristics of Entrepreneurs and SMTEs

Research Setting	Number of Papers
Europe	17*
Asia	14
Oceania	3
America	2*
Africa	2

Source: Author. *Note: Getz and Petersen (2005) conducted their study on both regions of America and Europe and hence, were listed twice.

This proves that there is an apparent need for more research to be conducted in Asian countries such as Malaysia for a better understanding of how cultural values influence the tourism landscape, particularly in Terengganu. There are three main ethnic groups in Malaysia. The population consists of 61.9 percent of people of Malay ethnicity, 6.7 percent from the Chinese ethnic group and 5.9 percent are of Indian ethnicity (Department of Statistics Malaysia, 2017). In terms of the ethnic identity held by each of these groups, these identities remain strong even after more than five decades of national independence (Verkuyten & Khan, 2012). However, although the Malays, Chinese and Indians still follow their own traditions and use their own languages, there is anecdotal evidence that seems to show a convergence of their value systems (Westwood & Everett, 1995).

For instance, Lim (2001) investigates the cultural differences across these three ethnic groups through the application of Hofstede's instruments. It is revealed that there are no cultural differences between the Malay and the Chinese in terms of their work-related values. Similarly, a study by Fontaine and Richardson (2005) identified only five out of the 57 value items of '*conformity'* and '*tradition'* which are derived from the work of Schwartz's (1994) Value Survey, that show significant differences across the Malay, Chinese and Indian ethnic groups. This result is comparable to the recent study conducted by Terpstra-Tong et al. (2014) on the individual-level values of managers and professionals.

Terpstra-Tong et al*.* (2014) reported that among the three ethnic groups, there is convergence on the individualistic value of self-enhancement and openness-to-change, but significant differences on the collectivistic value dimensions of self-transcendence and conservation. In the same vein, a study by Looi and Kamarulzaman (2014) on the Malaysian entrepreneurs of small medium enterprises revealed that the Malays and the Chinese similarly ranked four entrepreneurial value priorities in descending order of self-direction, achievement, stimulation and power. In terms of their perceptions of the importance of these values, however, there are significant differences between the Malay and Chinese entrepreneurs especially regarding the values of self-direction and stimulation.

Given the nature of these findings, it can be firstly affirmed that these three dominant ethnic groups are the ones that shape and influence the business culture in Malaysia. Secondly, the diversity in Malaysia can be more clearly seen in ethnicity rather than in values as most studies in the area have shown that there is a convergence between the Malays, Chinese and Indian (Terpstra-Tong et al*.,* 2014). Since this study revolves around the entrepreneurs of SMTEs, it is more practical to follow the footsteps of Looi and Kamarulzaman (2014) by focusing on the shared values of Malay and Chinese ethnic groups. Further justification of this crucial decision is given by Terpstra-Tong et al*.*'s conclusion (2014: 240):

> '*Chinese and Indians do not differ significantly across all four value dimensions (self-enhancement; openness-to-change; self-transcendence; conservation) is intriguing as these two groups have very different cultural heritages. Though value congruence is expected among highly educated individuals in a society, the fact that they do not differ significantly on the values influenced primarily by socio-cultural forces suggests the relatively loose and adaptive nature of the Chinese and Indian cultures in Malaysia.*'

As there is a clear congruence of entrepreneurial values between the Chinese and Indian ethnic groups, it was thus decided to focus on the common values that are shared between the Malays, which are the largest ethnic group in Malaysia and the Chinese, who have always dominated the scene of Malaysian business activities (Saad, 2012; Salmond, 2010). Hence, the common cultural values that are shared between these two ethnic groups in Malaysia based on Abdullah's (1996) research can be summarised in the following Table 2.7:

Table 2.7 – Common Cultural Values Shared Between Malay and Chinese Ethnic Groups

Cultural Values	Definition
Collectivistic	Promotes a sense of unity and togetherness with other people and considers the group as a basic unit of survival. Deriving from their entity as part of being a collective unit, Malaysians enjoy doing work in a group and prefer completing tasks together. Subsequently, people are integrated into a cohesive groups or extended families where relatives relate in harmony in exchange for unquestioned loyalty.
Hierarchical	According to Karande et al. (2000), Malaysians are a high distance power society. In other words, they are considered receptive to the inequality of power and look up to their elders as a significant role model. With this perspective, they are more likely to expect the elders to take the lead as they give the power into the hands of those who are senior in age or position.
Relationship-oriented	Malaysians are also known as a high context culture where the serious and reciprocal relationship needs to go through the process of building. Thus, it is understood that Malaysian managers and those that have positions in the public or private sector often need to spend time building personal relationships. In social relationships, it is not easy to separate business and private lives as they are usually well intertwined.

Face	Preservation of an individual's face is crucial in starting up and sustaining a relationship. Simply said, maintaining a person's dignity by not embarrassing that individual in front of others is very important. Embarrassing an individual would consequently lead to the embarrassment of a group or a family as any certain individual is perceived as a part of a group or a family.

Source: Abdullah (1996)

In addition to these four shared common values, Storz (1999) observes that Malays and Chinese put more emphasis on the social and relational aspects compared to the facts of business when it comes to the activities of building and nurturing their business relationship with others. As stated by Inglehart and Baker (2000), the traditional values such as religion, which are influenced by a society's cultural forces, have proved to be resilient in the face of globalization and competitive forces. It is a known fact that generally Malays are Muslims, the Chinese are Buddhists and Indians are Hindus. In this sense, Malaysians solved their problems not necessarily just through a logical process of thinking only as it is also contended that they may resort to their religious beliefs (Storz, 1999). This can be seen in the practices of 'feng-shui' among the Chinese and the Islamic beliefs of the Malays where they resort to the will of God after their best efforts in anything they work for. All things considered, it is postulated that the cultural values shared by the multiple races in Malaysia demonstrate the social and relational factors, which should further encourage networking-based activities among the entrepreneurs in Terengganu.

2.6.3 Motivation in Starting-up a SMTE

Against an entrepreneur's background and cultural influence, motivation is considered as one of the fundamental elements in the establishment of the entrepreneurial process as well as in the academic pursuit of the concept of entrepreneurship itself (Naffziger et al*.,* 1994; Hamilton & Harper, 1994).

This is in line with the general management literature, which states that an understanding of entrepreneurial motivation can contribute to the development of the entrepreneurship field (Shane, Locke & Collins, 2003). Certainly, motivation is one of the crucial factors giving entrepreneurs the impetus to start up a business in the tourism sector. The motivation to found a business can be categorised into two broad groups of: (1) ‘Push’ factors such as redundancy, job insecurity, unemployment, disagreements with management, feeling uncomfortable at the workplace, being a misfit in the job, having physical disabilities and illness, or the need for supplementary income and; (2) ‘Pull’ factors such as the desire to be one’s own boss, the attraction of high levels of profit, the identification of a business opportunity, the potential for achievement or recognition and personal development (Burns, 2001; Glancey & Pettigrew, 1997).

Considering its importance, there is a surprisingly fairly low number of papers that analyse the motivation of entrepreneurs of SMTEs with an equal number of 13 papers recorded for the economic factors and lifestyle characteristics, followed by 9 papers considering family factors. The systematic review of motivation shows that the non-economic motives from both factors play a predominant role in the decision to establish their own business (Lashley & Rowson, 2010; Morrison & Teixeira, 2004; Szivas, 2001). This is totally in contrast with the general management literature, where it is believed that entrepreneurs are motivated by the economic incentives in setting up a new business. Morrison and Teixeira (2004), for instance, found that the main motive to start up a tourism business in Scotland was to achieve lifestyle goals. The opportunity for entrepreneurs of operating their businesses while having the ability to live with their family, achieving a work/life balance and a desire to stay away from the corporate way of life drove them to initiate their own small business, which would allow them to achieve all their personal and family lifestyle goals. In Blackpool in England, however, the majority of SMTE owners are not driven by the maximization of profit and the need to grow their businesses (Lashley & Rowson, 2010). Instead, most of them are pursuing a ‘quality of life’ that enables them to achieve their dream career by working with a partner and having a house with an income.

This is consistent with the assertion from the work of Szivas (2001) as many semi-retired people in United Kingdom have opted to run a small accommodation business in order to support their alternative lifestyle since this way-of life motive is connected to the decision to enter the tourism sector. This notion of achieving lifestyle goals is also considered very relevant in the rural parts of Western Australia, where there are family owned and operated SMTEs. In particular, it has been empirically proven that most of the owners were concerned with the lifestyle decisions as business opportunities and investments were secondary in the process of establishing their own SMTEs (Getz & Carlsen, 2000). Evidently, the motives of lifestyle are closely linked to the appealing nature of the tourism sector as it is also considered as one of the main 'pull' factors for these entrepreneurs. The low barriers of entry in terms of professionalism, skill level and financial demands as well as the suitability and pleasantness to work in the sector are highly attractive for these groups of 'lifestyle entrepreneurs' (Morrison & Teixeira, 2004; Szivas, 2001).

In fact, the nature of the tourism sector enables a family lifestyle/family business model, which also allows a reasonable income-effort bargain (Lashley & Rowson, 2010; Morrison & Teixeira, 2004). Despite the substantial empirical evidence on lifestyle motives among entrepreneurs in the tourism sector, the same is not wholly the case in the context of developing countries. This is illustrated by Gartner's (1999) study, which found that the small tourism businesses in Ghana are mostly run by the extended family as the main motive behind the formation of the business is to employ more families and friends. Consequently, this has led to the cycle of high level of reinvestments of profits back into the business. The similar pattern of starting a business due to the 'family factor' can also be observed in the study of Benzing and Chu (2009) in Ghana and Kenya. In Ghana, people are encouraged to become entrepreneurs because they want to have a business that they can pass on to their surviving spouse or children. For people in Kenya, the opportunity to be close to the family has been identified as one of the important motivations to become an entrepreneur. Nevertheless, most of the small tourism businesses in Africa are operated at the margin of survival as many owners are struggling in challenging economic and living conditions (Dieke, 2000).

Intriguingly, business owners and entrepreneurs in Malaysia also share the same motivations or aspirations to start-up a business in the sector of tourism. Looking at the research conducted by Jaafar et al. (2011), for example, the majority of their respondents in Malaysia agreed that to keep the business in the family and to become financially independent are the crucial goals in getting started in this business. However, the contextual settings between Malaysia and the African countries are largely different. This is because most of the Malaysian business owners decided to start-up a tourism venture in order to exploit the business opportunity provided by the strong positive growth of the sector in Malaysia (National Transformation Programme Annual Report, 2017; Jaafar et al., 2011).

Taken altogether, there is still more room for the current study to get a clear understanding of an entrepreneur's motives in the context of a developing country such as Malaysia. With this conclusion of the motives discussion, the next sub-section shifts the focus in the second main section of characteristics of SMTEs and reviews its three dimensions of ownership, employment and business capital.

2.6.4 Ownership of SMTEs

As depicted in Table 2.5, the result of the systematic review has suggested that ownership has been fairly addressed from the year of 1980 to 2017 with 15 papers. According to the literature, SMTEs are owned independently by individual or joint owners (Ahmad, 2015; Getz & Carlsen, 2000; Page et al., 1999; Williams et al., 1989). In the study of Williams et al. (1989) for instance, they found out that some 70 percent of SMTEs in Cornwall in England were in the private ownership of a single individual. Similarly to an extent, Page et al. (1999) in New Zealand found that 45 percent of SMTEs are individually owned and another 34.5 percent are categorised as jointly owned. These findings are also in line with the research of Getz and Carlsen (2000) in Australia, which found that 66 percent of SMTEs are jointly owned by couples and 14 percent by sole proprietors. The latest work on SMTEs ownership in the systematic review by Sun and Xu (2017) shows that 36.7 percent of the businesses in China are independently owned while 63.3 percent are jointly-owned with friends and family members.

Another interesting facet of the ownership of SMTEs is that they are likely owner-or-family managed and mostly are local or have been living in the area for a long time (Andriotis, 2002; Getz & Carlsen, 2000; Kontogeorgopoulos, 1998).

2.6.5 Employment of SMTEs

In contrast with ownership, the results presented in Table 2.5 indicate that employment in SMTE is addressed consistently by tourism scholars (18 papers). As in the nature of any small businesses, the studies in the systematic review have shown that the number of employees in SMTEs is small (Getz & Carlsen, 2000). In the United Kingdom, Szivas (2001) revealed that about 54 percent of SMTEs have hired between 2 to 5 employees, followed by 22 percent with no employees and 10 percent have employed between 6 to 10 employees. In Australia, 95 percent of the SMTEs that participated in the study of Getz and Carlsen (2000) employed 10 or fewer employees. In the case of SMTEs that are run by family members, an interesting result of one study is that the smaller the tourism firms in Greece, the higher the number of family employees (Andriotis, 2002). Focusing on the context of Malaysia nonetheless, Whah (2003) claims that many small firms in Malaysia employ a high number of family members in order to reduce the payroll as well as employee turnover.

There are also SMTEs that employ a high number of locals due to the low entry requirements of skills, experience and knowledge needed to join these small firms (Kontogeorgopoulos, 1998; Morrison, 1996). In fact, Kontogeorgopoulos (1998) observed that locals in Thailand viewed the jobs in tourism in a much more positive light compared to the other traditional job opportunities in agriculture or fishing.

2.6.6 Business Capital of SMTEs

In order to secure start-up capital, some of the owners of small businesses need to put up collateral of their personal assets as collateral since they do not have any credit history and business investments at the early stage of their venture (Bridge et al*.,* 2003; Bygrave, 2000).

Despite the willingness to put forward personal collateral, this is unlikely to yield any positive outcome as banks are often reluctant to lend money to small businesses due to the low expected profit margins, asymmetrical information and high risks (EIM, 1998 as cited in Verheul & Thurik, 2001). Although business capital has not been extensively addressed (10 papers) in the systematic review, it can be concluded that most entrepreneurs of SMTEs use their own personal savings to finance their businesses (Andriotis, 2002; Page et al*.,* 1999; Glancey & Pettigrew, 1997; Williams et al*.,* 1989).

In line with this assertion, Ozer and Yamak (2000) found that at least 63 percent of small Turkish hotels used their personal savings and unsurprisingly, less than 10 percent successfully obtained external formal capital. An investigation of small hotels in Scotland by Glancey and Pettigrew (1997) also revealed that only 20 percent depended on bank loans while one-third of their respondents used their personal savings for start-up capital. Similarly, it was reported in one study that in New Zealand, more than two-thirds of owners of SMTEs used their personal funds for business capital (Page et al*.,* 1999). Nevertheless, the percentage of owners who had bank loans for their business start-up in New Zealand was quite high at 42 percent. In most cases where the amount of financial capital available was not sufficient, most of them were likely to turn to families and friends for further support (Andriotis, 2002; Szivas, 2001; Williams et al*.,* 1989). The same conclusion can also be made in the context of Malaysia, where in one study it was found that 68.6 percent of the small hotel owners depended on personal funds and loans from families and friends, while 27.9 percent managed to successfully source their start-up capital from government and commercial banks (Jaafar et al*.,* 2011).

2.7 The Concept of Networks in Tourism

Having concluded the discussion on entrepreneurs, and SMTEs and their management, this section examines the next main component which revolves around the concept of networks. To start the discussion, it is firstly important to understand the crux of networks from the tourism perspective. Accordingly, Zee and Vanneste (2015: 46) assert that '*tourism is a complex phenomenon*' which basically involves the '*temporary interaction of guests and amalgam of stakeholders, partially or fully, directly or indirectly involved with the tourism industry*'. In fact, the 'relational' perspective reflected by this amalgam of tourism stakeholders is particularly crucial for successful tourism destinations. Essentially, this relationship can be observed through a complex system of 'connections' that consist of complementary products of activities, accommodation, transport and food, which co-exist together with the support activities and infrastructures (Pavlovich, 2003). This connection, in turn, provides the platform for the transfer and sharing of knowledge, which subsequently gives the impetus for stakeholders to be innovative and competitive (Presenza & Cipollina, 2010).

In addition, the connections among this group of tourism stakeholders reflect one of the fundamental characteristics of the network itself whereby the 'participants' often surpass the boundaries and structures of their organisations (Scott, Cooper & Baggio, 2008a; Rhodes, 1997; Howlett & Ramesh, 1995). This is in line with the network theory from a social science perspective, which uses the concept of 'actors' instead of 'participants' and the theory is essentially concerned with the links and relationships that they have (Albrecht, 2013). The links and relationships of these actors are also known as 'social ties' and basically, a network can comprise a series of direct or indirect ties from one actor to others (O'Donnell et al*.,* 2001; Davern, 1997).

Specifically, these social ties can be: (1) formal in the form of associations, joint ventures, trading groups or buyer-supplier agreements, or; (2) informal in the shape of relationships among families, relatives and friends (McLeod, Vaughan & Edwards, 2010; Dredge, 2006; Saxena, 2005; O'Donnell et al*.,* 2001; Davern, 1997). The actors in a network can be managers, entrepreneurs, owners or any individuals that have the responsibility to work within the ties, or it can be a group of individuals such as an organisation, an association, community or public agency (Johannisson, 2000). This broad range of categories of actors and ties, it subsequently paves the way for different scholars to adopt different definitions as to what specifically constitutes a network and different units of analyses.

Iacobucci and Zerrillo (1996) compiled four different levels of analysis from their review on what they referred to as ‘network’ research. They define network research as studies that focus on understanding interconnections and relational ties between units. The four different levels of analysis consist of:

1) **Actor level** - Focuses on the actors that form a ‘fan’ like structure which is tied to the central actor.
2) **Dyadic relationship** - Based on the relationship between two actors. It enables a comparison of the perception from the two actors on the nature of the relationship or environment in which they are embedded.
3) **Group analysis** - Centres on the higher order collection of triad or larger groups of actors, all of whom may or may not be directly connected to each other.
4) **Interconnections** - Assuming the network comprises a closed system of actors, the network research usually analyses the largest set of interconnections possible, which is vast.

Focusing on the context of small business organisations in the wider literature however, Johannisson, Alexanderson and Senneseth (1994) note that the majority of the empirical studies have focussed on the analysis of dyads in egocentric networks, possibly extended with indirect ties. While different studies may adopt different unit levels of network analysis, a review of the literature by O’Donnell et al*.* (2001) revealed that the research of entrepreneurial networks can be classified into two main categories of inter-organisational networks and the entrepreneur’s personal network, which is also known as the formal and informal networks (Brown & Butler, 1993). The following Table 2.8 is provided in order to give a summarisation of the usage of these different terms or categorisations of networks in the research of entrepreneurial network.

Table 2.8 – Summarisation of the Network Construct in Entrepreneurship Research

Type of Network	**Inter-organisational Network**	**Personal Network**
Research Background	1. Transaction cost economics 2. Industrial marketing	1. Sociology 2. Social network
Network Actors	Organisations	Individuals
Type of Link Between Actors	Formal	Informal
Level of Analysis	Dyad	Egocentric or fan structure
Common Categorisations	1. Vertical network 2. Horizontal network	1. Commercial network 2. Social network 3. Communication network
Frequently Researched Area	1. Industrial districts 2. Joint venture	New venture creation

Source: O'Donnell (2001)

In the context of the tourism sector, McLeod et al. (2010) provide important insights into the issue of categorisation by analysing the concept of networks in the shape of formal and informal networks. Within these relationships, they suggested there are one or two further types of relationships of social or personal and business-based relationships that provide the platform for the process of knowledge transfer. Specifically, the social or personal relationships are based on friendships of emotional and non-instrumental ties while the premises of business relationships are based on the common tasks, mutual interests and the achievement of goals (Marouf, 2007). Against this distinction nevertheless, it is worth mentioning that a personal or social relationship may also evolve to a business-based relationship (Moller & Wilson, 2005; Birley, Cromie & Myers, 1991).

Despite this dynamic, it is important to note that networking activities are established through formal and informal categorisations, which subsequently can be used in classifying the relationships (McLeod, 2010). Using this as the platform, McLeod (2010) produced the two axes of: (1) formal to informal and (2) personal to business.

Accordingly, the key pattern from this classification is that it provides a structural dimension to the theory of a network where it can be '*a way of analysing where people fit within their group*' (McLeod, 2010: 58). With this understanding of the actors and their ties or relationships in a tourism network, it is equally important to address the other vital components of network theory such as the content, form and network governance (Knoke & Kuklinski, 1991; Hoang & Antocic, 2003). The content of the relationships refers to the reason for the actors being connected and, thus, setting the bounds of their relationships. The reasons for them to be connected can be anything from friendship to the joint collaboration for promotional business activities, exchange of resources and other reasons. The form of the relationships is more towards the properties of the network and the embeddedness of the actors in their respective networks (Knoke & Kuklinski, 1991). For network governance, this concerns the aspects of trust, norms or even legal contracts which are important in the coordination and management of networks (Hoang & Antocic, 2003).

Most of these components are consistently considered in past studies in both the wider general management and tourism literature. Reviewing the past literature on tourism networks within the last two decades, the concept has seen an increasing interest from scholars and has become one of the powerful approaches in analysing tourism organisations as well as destination-based planning and management. Despite this encouraging progress, unsurprisingly, there is still yet to be a universal consensus among scholars on the definition, usage and the conceptual implications of the network as the theory can be investigated through various perspectives and contexts.

For instance, Dredge (2006: 270) defines network in the context of tourism policy as '*sets of formal and informal social relationships that shape collaborative action between government, industry and civil society*'. Looking in the context of business networks, Pavlovich (2003) uses the concept to explain the process of competitive advantage achieved through the structural relations between the tourism stakeholders. In addition to the context of tourism policy and business networks, Grandori and Soda (1995) offer their own view on the concept by defining it based on an economic and inter-organisational perspective.

Essentially, they view networks as the modes of inter-organisational coordination in managing economic activities. Scott et al. (2008a) take the understanding of the concept further by investigating the complexity of the tourism network system through mathematical interpretation. Based on the wide range of definitions available in the literature, it is therefore very useful to trace the development of the concept from the beginning. This discussion will enable a better understanding of the conceptual basis of tourism networks. For this reason, the next sub-section discusses the development of the network concept in tourism.

2.7.1 Development of the Network Concept in Tourism

According to Dredge (2006), the early development of networks in the 1920s and 1930s was influenced by systems theory and was underpinned by the belief that actors and their social networks were operating in different spatial cases, where most work was focussed on interrelated issues and shaped how the issues are framed, how the solutions were generated and the selection of the preferred response. Accordingly, it is within this time period that Moreno (1934) produced one of the most important earliest studies on networks. It is Moreno's (1934) work that has been recognized as one of the earliest studies to introduce the illustration of networks representing social interaction, also known as *sociograms*. From 1930s until the 1970s, breakthrough studies such as Milgram's (1967) famous work on the theory of separation and Granovetter's (1973) vital work on the strength of weak ties further found their application in the field of sociology as well as in political sciences (Albrecht, 2013).

At the same time, there is also a crucial issue of the persistence of a gap between the various stakeholders in tourism which was reported in Gunn's (1977) study. Gunn raised the issue of the lack of collaboration between the public and private stakeholders in tourism planning, which subsequently hinders the development of sustainable tourism.

These two important works by Gravenotter (1973) and Gunn (1977) provided an important platform for further application in the tourism research in the 1990s, especially in the areas of communities and tourism, collaboration between tourism stakeholders, and tourism policy networks (Zee & Vanneste, 2015; Albrecht, 2013). From this groundwork, Zee and Vanneste (2015) catalogued the acceleration of research on tourism networks with some notable key studies published since the turn of century by Jamal and Getz (1999) as well as Bramwell and Lane (2000) on stakeholder collaboration, and the works of Tremblay (1998) and Hall (1999) on the role of public and private stakeholders in the organisations relating to tourism destinations.

This research, among others, clearly reflected that the theory of networks is used in tourism to explore and analyse the issues relevant to stakeholders' interactions, which consist of collaboration, trust, interdependence, reciprocity and conflict of interest, for example (Albrecht, 2013). In addition to this, the theory is also widely used in the following settings: recreation and leisure (Bendle & Patterson, 2008); tourism supply-side perspectives on entrepreneurship and destinations (Greve, 1995; Pavlovich, 2003); and perspectives from the tourism demand-side (Tyler & Dinan, 2001).

Considering the wide range of applications of network theory in tourism, it is also pivotal to keep the 'right balance' of competition and collaboration among the stakeholders. This is to ensure that tourism destinations have a greater chance to be competitive nationally and globally (Novelli et al., 2006). Based on this notion, Vargo and Lusch (2004) stress the importance of a well-managed network of public and private stakeholders, especially if they want to work together and compete at the same time in a complex tourism environment.

The governance of the network plays a crucial role in fulfilling the network's potential as a vehicle that fosters innovation, knowledge sharing, competitiveness and sustainable economic development for tourism stakeholders (Zee & Vanneste, 2015; Novelli et al*,* 2006; Pavlovich, 2003). All things considered, a review of the literature on networks in tourism management studies by Zee and Vanneste (2015) conclude that there are some vital questions left unanswered despite the growing body of literature relating to networks in the field of tourism. For example, there is still no clear evidence that past studies have proven that the network approach can lead to a competitive advantage for tourism destinations and their stakeholders. In fact, Zee and Vanneste (2015) contend that the empirical effort to provide evidence on the value of a network approach towards the benefits of the destinations and their stakeholders is still in its infancy. Despite the relative lack of empirical evidence, there have been many claims of benefits in the literature and the suggestion that there is great potential in the use of networks for tourism development. Based on this potential, the following sub-section reviews the factors that contribute to the inclination of entrepreneurs to participate in a network.

2.7.2 Factors Behind the Formation of Networks

Actors choose to participate in a network because of the factors that could bring important benefits to themselves as well as their organisations. In order to gain better access to a new market for instance, a foreign organisation can always collaborate with local partners (Ebers, 1997; Zajac & Olsen, 1993). At the same time, the prospect of reducing the competition by making the competitors allies provides a competitive and strategic option for any business entity (Porter & Fuller, 1986). Furthermore, creating alliances through the sharing of expertise in terms of research and development, marketing or even production with competitors, for example, will also subsequently lead to a cost reduction and economies of scale especially in the context of small and medium-sized businesses (Schoonjans et al*.,* 2013; Watson, 2007; Snehota & Hakansson, 1995).

Contractor and Lorange (1988) add that through the inter-organisational network, enterprises have the ability to spread the financial and further risks with other partners, be involved with technology exchanges and are more able to overcome the barriers of government trade regulations as well as improve their investment prospects. Nevertheless, the most important factor for a small or medium-sized business to participate in a network is the opportunity to learn and exchange knowledge as it is widely considered that this process is over and above almost any of the other crucial resources in achieving a competitive advantage (Morrison et al., 2004; Grant, 1996). In fact, it is also reported in the literature that an enterprise can obtain access to important knowledge in a very cost-efficient manner through networking (Dyer, 1996; Kreiner & Schultz, 1993; Badaracco, 1991). Not only is it advantageous in terms of cost, a network can also be an efficient and effective tool in facilitating the process of learning, securing and appropriating skills (Hamel, 1991). These are in line with the context of a complex destination-based tourism system of inter-organisational relationships. This notion is further emphasised by the working definition of tourism networks from a study by Morrison et al. (2004: 202):

> '*A set of formal, co-operative relationships between appropriate organisational types and configurations, stimulating inter-organisational learning and knowledge exchange, and a sense of community and collective common purpose that may result in qualitative and or/quantitative benefits of a business activity, and or/ community nature relative to building profitable and sustainable tourism destinations'.*

In this sense, a network is an important tool in facilitating the process of knowledge transfer (Shaw & Williams, 2009). Therefore, the type (formal or informal) and nature of the network chosen by the SMTEs are crucial in creating an optimum environment for learning and knowledge exchange. Interestingly, most of the small businesses prefer the social business network or informal network without the constraints of legal contracts and ownership (market and hierarchy) as they seek advice from their peers rather than professional consultants and service provider networks (Zehrer & Raich, 2010, Lewis, 2002; Grant & Baden-Fuller, 2004).

The theory of socially embedded ties suggests entrepreneurs can be enabled to get resources cheaper through a network than the market and at the same time, this creates the opportunity to secure resources such as reputation, customer contacts and others, which would not be available on markets at all (Witt, 2004). The concept of the social business network, which is categorised under an entrepreneur's personal or informal network has mostly been studied in the setting of small, newly created entrepreneurial firms, as opposed to the established business organisations (O'Donnell et al*.,* 2001). This is due to the general belief that the existing social or informal networks of friends and acquaintances can pass through the crucial information needed in order to start a business that fits the entrepreneur's personality (Johannisson, 1987; Johannnisson & Nilsson, 1989; Johannisson et al*.,* 1994).

However, Lechner, Dowling and Welpe (2006) differ in their opinions as they claim that the social business network is not able to generate benefits or have a positive bearing on an organisation's performance despite its role in improving the innovative behaviour of small firms (Shaw, 1998). Thus, it is postulated that a small business needs to employ a formal network in the shape of strategic business networks such as strategic alliances, joint ventures, long term-buyer supplier partnerships and a host of similar ties in order to go beyond the boundaries of internal resources and acquire the specifically valued 'uncommon knowledge' or the external sources of knowledge (Shaw & Williams, 2009; Gulati, Nohria & Zaheer, 2000; Hakansson & Snehota, 1997). Importantly, the nature of these inter-organisational ties is asserted to be enduring and of strategic significance for the participating businesses (Gulati et al*.,* 2000).

On the other hand, Shaw and Williams (2009) suggest that the importance of interlocking directorships, where the movement of tacit knowledge at high levels within the organisations cannot be ignored as such processes, are critical to the operational successes of organisations (Boyd, 1990). In essence, the interlocking directorship occurs '*when a person affiliated with one organisation sits on the board of another organisation*' (Mizruchi, 1996: 271). Interlocking directorships aid the process of knowledge transfer through the collective tacit knowledge provided by the directors within the board of a business (Boyd, 1990).

Also frequently reported in the literature are the vertical and horizontal networks (O'Donnell et al*.,* 2001). Vertical networks are seen as the distribution chain which consists of suppliers to end-users (Achrol, 1997; Elg & Johansson, 1996). In the tourism sector particularly, vertical networks can be further categorised into two sections of vertical distribution networks and vertical input relations (Sorensen, 2007). Vertical distribution networks focus on the networks between tourism firms and their distributors at the destination level while the vertical input relations address the relational inputs between the tourism firms and their suppliers. The same is also applied to the horizontal networks, which Sorensen (2007) classifies into two further sections of horizontal competitive and horizontal complementary relations. Essentially, horizontal networks centre on the relationships of the actual and potential competitors in the same industry (Piercy & Cravens, 1995; Elg & Johansson, 1996). Within the tourism environment therefore, the relationships between similar organisations such as hotels are categorised under horizontal competitive. As for the horizontal complementary relations, the focus is on the relationships between different types of firms such as hotels and attractions (Sorensen, 2007).

Exploring the motives of network formation in the setting of Asian countries particularly, culture plays quite a prominent role especially in Japan, China and Korea. In Japan, for instance, *keiretsu* is a form of distinctive business culture of networking practised by the Japanese clan or *kaisha* since the 1950s (Tezuka, 1997; Kienzle & Shadur, 1997). Tezuka (1997) explains that *keiretsu* has two different categories which consist of horizontal *keiretsu* (consisting of four of the largest pre-war industrial groups of *Mitsui, Mitsubishi, Sumitomo* and *Fuyo* and the two major bank-centred groups of *Dai-Ichi Kangyo* Bank Group and the *Sanwa* Group) and vertical *keiretsu* (epitomized by the supplier assembler networks of the major manufacturers such as *Toyota* or *Matsushita*). As the name implies, horizontal *keiretsu* is centred more on the financial networks that consist of '*loosely coordinated groups characterised by minority cross-shareholding, regular communication of top executives in the Presidents' Club of each group, and general cooperation for mutual benefits in unstated 'gentleman's agreement'* (Tezuka, 1997: 85).

In the vertical *keiretsu*, there is a firm leader that organises the networks of suppliers for the large auto and electronics firms (Tezuka, 1997). The systematic, formality and flexibility nature of Japanese networking is totally in contrast with the Chinese as the foundation for financial arrangements and other network transactions is based on trust rather than depending on a formal contract (Kienzle & Shadur, 1997). The characteristics of Chinese networks revolve around familial and ethnic ties, locality, dialects and craft since most of the Chinese businesses are typified as small and medium-sized ethnic-based enterprises, family owned, having a limited involvement with research and development and having a simple organisational structure emphasising centralized decision-making (Kienzle & Shadur, 1997). Similarly, the Korean industrial network or *chaebol* was also borne out of the blood relations that include immediate and extended family members, school ties and clan as well as village links (Kienzle & Shadur, 1997).

Within the context of Malaysia, it has been previously mentioned that business activities are dominated by the Chinese as their networks have been extended successfully throughout Southeast Asia and Indochina (Kienzle & Shadur, 1997). In fact, the Malaysian Chinese family networks are comparable to those of the Chinese in other Asian countries as they are influenced by three important factors, namely motivation for profit, their values and cultural practices and the effort in the form of time and money to sustain long-term relationships (Whah, 2003). This is in line with the assertion by Haley and Tan (1999) that successful business organisations in Malaysia and other Asian countries value good relationships with the public sector (e.g., government officials) as well as relationships with informal networks (relatives, friends and business associates).

Thus, it is particularly important for the Malays, Chinese and Indians in Malaysia to build a durable relationship with others before they commit to a business relationship (Abdullah, 1996). In the context of the relationship between managers and the subordinates in Malaysia, for instance, they treat each other as part of a team rather than as an independent individual since the Malaysians are more collectivistic. For this reason, the work environment in Malaysia cultivates the spirit of togetherness by enabling the juniors to learn from the senior employees.

Therefore, the seniors are expected to be knowledgeable, competent and exemplary by offering wisdom and guidance to the juniors (Ahmad, 2005b). According to Storz (1999), the reciprocity of this hierarchical relationship very much represents one of the most highly valued attributes held by the Malaysians, which is *gotong-royong* (co-operation based on communality). The *gotong-royong* style of operation means that the decision making by the managers is less confrontational and aggressive compared to the more assertive and individualistic approach adopted by Westerners (Storz, 1999).

Based on these cultural values that have always been practiced in the typical work environment in Malaysia, it can be safely assumed that they are especially important in the business and networking relationships of SMTEs in Terengganu. Furthermore, the culture of learning has always been part of the relationships between the Malaysian workforce and their informal contacts (Abdullah, 1996). Because of this, it is vital for the current study to integrate the cultural values in the analysis of networks, absorptive capacity and business performance of entrepreneurs and their SMTEs. Given the role of the learning culture in Malaysia as well as the importance of knowledge in the formation of networks in the wider literature, it is therefore important for this thesis to examine further the basic theory of knowledge itself.

2.8 The Theory of Knowledge

At the various points of discussion on the theory of networks, scholars have commented on their role as the ‘medium’ for entrepreneurs to obtain resources which may come in many forms like sales or knowledge. For the process of knowledge transfer especially, it is an important discussion given the characteristics of knowledge itself. Conversely, the terms ‘information’ and ‘knowledge’ are often used interchangeably (Ghaziri & Awad, 2005; Wilson, 2002; Davenport & Prusak, 1998) and for clarity, Beesley and Cooper (2008) assert that data and information are the building blocks of knowledge management activity and creation. According to Davenport and Prusak (1998), data consists of hard facts and it is usually presented as structured records of transactions.

In addition, data is basically meaningless even though it can be evaluated in terms of cost, speed and capacity. On the one hand, information is the outcome of the processed data, which consists of contextualization, categorisation, calculation, correction and condensation. From this, the information is essentially a form of communication such as a record of a document, or an audible or tangible interaction. Since it is a form of communication, it has relevance and value as compared to data and possesses the 'transferability' attribute between a sender and a receiver.

Therefore, it is based on the receipt of information that knowledge is formulated since '*knowledge is created and organised by the very flow of information, anchored on the commitment and beliefs of its holder*' (Nonaka, 1994: 156). In line with this notion, Davenport and Prusak (1998: 5) also define knowledge based on the same receipt of information where they state that knowledge is '*a fluid mix of framed experience, values, contextual information and expert insight that provides a framework for evaluating and incorporating new experience and information*'. In other words, knowledge is the personalized information in the minds of the individuals based on the interpretation and transformation of information through comparison, consequences, connections and conversation (Alavi & Leidner, 2001; Davenport & Prusak, 1998).

Within the present study, it is suggested that through the interpretation of the information derived from the connections of contacts in the network, entrepreneurs are able to gain important business knowledge. Since vast knowledge is embedded and entrenched in individuals or societies or organisations with diverse profiles or backgrounds, it is important for entrepreneurs to know the differences and make use of the benefits between the two dimensions of 'tacit' and 'explicit' knowledge.

2.8.1 Tacit Knowledge and Explicit Knowledge

Explicit knowledge is systematic, easily codified and easily transferable in the form of language as compared to tacit knowledge (Grover & Davenport, 2001; Stacey, 2000; Nonaka, Umemoto & Senoo, 1996).

In contrast, tacit knowledge is embedded in the human brain and can be found in the cultural aspects of business and in the experience of employees, thus making it highly personal and difficult to express (Hlupic, Pouloudi & Rzevski, 2002; Grover & Davenport, 2001; Nonaka et al., 1996). Due to this, explicit knowledge is also known as hard knowledge and this comes in diverse places and formats such as documents databases, files and customer directories (Cooper, 2006; Hlupic et al., 2002).

Understandably, this dimension is transferable and accessible because the attributes of explicit knowledge is that it can be communicated, evaluated and easily made public and imitated (Grant, 1996). As for tacit knowledge, this is crucial for the strategic deliberations in decisions or action as it represents the intellectual capital or physical capabilities and skills that are learnt from domain-specific knowledge (Hallin & Marnburg, 2008; Bennet, 1998). This explains the importance of tacit knowledge in sense-making within a complex and dynamic organisational environment (Choo, 1998). For example, the utilisation of tacit knowledge constitutes 80% to 90% of general knowledge resources within the context of tourist regions and SMTEs (Scott, Baggio & Cooper, 2008b). Due to this, tacit knowledge is considered as the most valuable form of knowledge within a business given its substantial impact on the competitive position over the competitors (Skyrme, 1999).

Despite the obvious benefits, the complexity of tacit knowledge makes it difficult to be codified and thus only renders it accessible and transferable through experience, interaction and observation (Grant, 1996; Kogut & Zander, 1992). In fact, the complexity of tacit knowledge is further heightened by Polanyi's (1966) assertion that an individual knows more than he or she can tell. This means that knowledge may be entrenched to a degree that it may not be known by the individual. In other words, tacit knowledge is more about the 'knowing how' instead of 'knowing about' (Grant, 1996). For instance, entrepreneurs sometimes make business decisions based on tacit knowledge without necessarily knowing the 'entrenched' knowledge of information, circumstances or experience that influence decisions.

For this reason, the transferability of tacit knowledge between people and businesses is slow, costly and uncertain (Kogut & Zander, 1992). In this sense, it can be concluded that the more explicit the knowledge is, the less complex and the easier it is for it to be codified and transferred. On the other hand, the more tacit the knowledge, the more complex and the harder it is for it to be codified and transferred.

Given the differences, it is also misleading to rigidly separate the two dimensions of knowledge since they are often considered mutually distinctive and representative of both ends of continuum (Koskinen, 2003; Nonaka, Toyama & Nogata, 2000). Specifically, it is understood and well-documented in the literature that there is a degree of tacit or explicitness of knowledge and this depends heavily on social interactions, which consists of varying cognitive frameworks of the providers and interpretations of the receivers (Grover & Davenport, 2001; Nooteboom, 2000).

Considering the importance of this 'social interaction' in facilitating the transferability of the knowledge, it is the aim of the next section to assess what has been done in the past literature regarding this relationship through the application of systematic review. In particular, this systematic review is conducted on the links between the important variables in the research objectives of the current study, which comprises networks, absorptive capacity and business performance.

2.9 Systematic Review of Networks, Absorptive Capacity and Business Performance of Entrepreneurs and SMTEs

Table 2.9 presents the results of the systematic review on networks, absorptive capacity and business performance from the year of 1997 to 2018 in the field of tourism.

Table 2.9 – Systematic Review of Networks, Absorptive Capacity and Business Performance from 1997-2018.

SMTEs					
No	**Author**	**Year**	**Research Variable**		
			Networks	**Absorptive Capacity**	**Business Performance**
1	Copp & Ivy	2001	✓	X	X
2	Pavlovich	2003	✓	X	X
3	Novelli et al.	2006	✓	X	X
4	Brunetto & Farr-Wharton	2007	✓	X	X
5	Petrou & Daskapolou	2009	✓	X	✓
6	Valentina & Passiante	2009	X	✓	X
7	Paget, Dimanche & Mounet	2010	✓	X	X
8	Romeiro & Costa	2010	✓	X	✓
9	Kokkranikal & Morrison	2011	✓	X	X
10	de Klerk & Saayman	2012	✓	X	X
11	Fuglsang & Eide	2012	✓	X	X
12	Herath & Mahmood	2014	X	✓	✓
13	Czernek	2014	X	✓	X
14	Otengei et al.	2017	X	✓	X
Total Papers			10	4	3
Mixed Sized Key Operators in Tourism					
1	Ingram & Baum	1997	X	X	✓
2	Money	2000	✓	X	X
3	Tyler & Dinan	2001	✓	X	X
4	Sorensen	2007	✓	X	X

5	Timur & Getz	2008	✓	X	X
6	Cooper, Scott & Baggio	2009	✓	X	X
7	Erkus-Ozturk	2009	✓	X	X
8	Lemmetyinen	2009	✓	X	X
9	Denicolai, Cioccarelli & Zucchella	2010	✓	X	✓
10	McLeod et al.	2010	✓	X	X
11	Presenza & Cipollina	2010	✓	X	X
12	Beritelli	2011	✓	X	X
13	Luthe, Wyss & Schuckert	2012	✓	X	X
14	Strobl & Peters	2013	✓	X	X
15	Hazra, Fletcher & Wilkes	2014	✓	X	X
16	Noguiera & Pinho	2014	✓	X	X
17	Thomas & Wood	2014	X	✓	X
18	Thomas & Wood	2015	X	✓	X
19	Liu	2018	X	✓	X
20	Nieves & Diaz-Meneses	2018	✓	X	X
Total Papers			16	3	2

Source: Author (2018)

Accordingly, there are two main sections of the systematic review results in Table 2.9, which consist of published papers that use: [1] SMTEs and [2] mixed sizes of key operators in tourism (small, medium, large, chain) such as public and private destination management organisations (DMOs), chain-hotel organisations, 4 and 5 star rated hotels, international meeting industry organisations and others to name a few as the main research setting.

The patterns over time exhibited by the results presented in Table 2.9 can be segmented into two stages of timeline, which consist of the first 11 years (1997 to 2007) and the last 11 years (2008 to 2018). For the first 11 years, not many studies have been conducted within the area of networks (7 papers). Most of the papers have studied the networks from the perspective of group analysis, which involves a wider spectrum of tourism stakeholders and examined variables such as tourism policy (Tyler & Dinan, 2001), network structural characteristics (Pavlovich, 2001), innovative opportunities (Novelli et al*.,* 2006) and social network geography (Sorensen, 2007). Other studies, however, have analysed the networks from the actors' perspectives as they focus on trust (Brunetto & Farr-Wharton, 2007) and word-of-mouth referrals (Money, 2000).

Since 1998, networks have received increasing attention from scholars (19 papers) signalling the growing importance of theory in the field of tourism. These studies consider a number of variables from the group of stakeholders or destinations' perspectives such as destination development (Timur & Getz, 2008), governance or coordination of cooperation (Cooper et al*.,* 2009; Lemmetyinen, 2009, Romeiro & Costa, 2010; Luthe et al*.,* 2012; Strobl & Peters, 2013), tourism core-competencies (Denicolai et al., 2010), destination mapping of knowledge sharing (McLeod et al., 2010), relational preferences, communication behaviour (Beritelli, 2011), network formation (Fulgsang & Eide, 2012), resource-based power (Hazra et al., 2014) and determinants of knowledge transfer and absorption (Czernek, 2014). Given the nature of the analysed variables, it is evident that most scholars have used the theory of network in understanding the interaction and involvement of various tourism stakeholders in managing the development of destinations.

However, a different development can be observed from the perspective of firm-level or actor analysis since it has not been employed substantially by the scholars in analysing the networks. In this context, the systematic review in Table 2.9 shows that scholars who employed this perspective had addressed the network relations (Presenza & Cipollina, 2010), networking behaviour (de Klerk & Saayman, 2010) and external knowledge sources and innovation (Nieves & Diaz-Meneses, 2018).

Similarly, the lack of studies can also be seen in the context of absorptive capacity (7 papers in total) in tourism despite the important benefits of knowledge which could be gained from the networking activity (Shaw & Williams, 2009; Morrison et al*.,* 2004; Gulati et al., 2000; Hakansson & Snehota, 1997). In fact, it is possible to draw the conclusion from the overview in Table 2.9 that there is yet to be a study that directly investigates the links or connections between the variables of networks, absorptive capacity and business performance. This is despite the substantial number of studies (26 papers in total) that examine networks in tourism. Indeed, only three papers (McLeod et al*.,* 2010; Czernek, 2014; Nieves, 2018) examine some of the fundamental dimensions that are closely related and relevant to the context of the current study.

McLeod et al*.* (2010) for example, analysed the theory of knowledge sharing by measuring the information-sharing roles of the tourism businesses and mapped their network structures and positions. This study is significant to the present research in the sense that they empirically proved the connection of knowledge sharing within the perspective of the tourist destination. Consequently, this leads to an understanding of how such patterns can be measured to capture how tourism destinations function. In identifying such patterns, Czernek (2014) characterises five groups of tourism-specific-determinants that hinder the process of knowledge transfer and absorption, which generally affects cooperation at the destination level negatively. These determinants consist of the domination of SMEs, the fragmentation and diversity of supply, vocational reinforcers (seasonal employment and high rotation of employees), ownership specificity (high rotation of owners and owners' daily life outside the region) and region / local character.

Nieves and Diaz-Meneses (2018) also contribute to this area by adopting the firm-level perspective, where they provide empirical evidence on the importance of external agents and intra-organisational relationships as sources of knowledge to foster innovation in hotels. These three papers are considered important in the sense that they provide the empirical evidence on the link between the theories of network and knowledge generally, which acts as an important premise for the current research.

It is also clear that from the results of the systematic review, the body of knowledge relating to the postulated connections between the networks, absorptive capacity and business performance from the actor or firm perspective is still in its infancy. This is attributed to the scarcity of studies that analyse the absorptive capacity as a research variable and the pattern of the research on networks themselves where most scholars have attempted to understand the theory from the destination perspective.

In the light of these highlighted issues, it has been very challenging to identify the characteristics of networks as the conduits of the knowledge transfer and absorption from the actors' perspective since the current study is the first research that addresses this well-defined gap in the field of tourism. To address this gap, it is important to have an understanding of how the networks and absorptive capacity are linked from the perspective of the wider literature, and the strategies that need to be considered in analysing this connection. Based on this premise, the next section will discuss the strategies in addressing the link between the two variables of networks and absorptive capacity.

2.10 Characteristics of Network as Conduits of Knowledge Transfer

Bruderl and Preisendorfer (1996) suggest that there are two strategies in operationalizing the network approach to entrepreneurship. The first strategy focuses on the structure of an entrepreneur's personal network itself, which consists of network size, network density, network diversity, the preponderance of strong and weak ties, and network redundancy. These characteristics represent the opportunity structure of the network, which has the ability and potential to provide resources for the entrepreneurs (Jenssen & Greve, 2002; Bruderl & Preisendorfer, 1996; Aldrich & Zimmer, 1986;). Despite the plausibility of these characteristics, this approach does not measure the extent to which entrepreneurs make use of their networks. It is postulated that the networks will improve the success of the business only if entrepreneurs make full use of a network's resources or support.

This means that within the first strategy, there is an absence of theoretically relevant factors that directly measure the resources or support from the network (Bruderl & Preisendorfer, 1996). In order to compensate for this absence, the second strategy focuses on the activities conducted and amount of support or resources received by the entrepreneurs from their networks. From this, observable networking activity is considered, such as the frequency of business meetings that entrepreneurs have with their families or acquaintances (Fernandez-Perez, Verdu-Jover & Benitez-Amado, 2012) as well as the content of the networking (Aldrich & Zimmer, 1986; Mitchell, 1973).

As the support or resources are the focus of the second strategy, the theory of social capital is inexplicably linked to the theory of networking. Within an entrepreneur's network, the support or resources in the form of knowledge can be shared both with businesses and between businesses with people acting as the conduit (McLeod et al., 2010). Accordingly, McLeod et al. (2010: 1653) views these relationships as the network of connections with '*people involved being both the mechanism by which knowledge is transferred and the recipients of knowledge*'. Since social capital theory is about the resources derived from the social capital possessed by the human beings, it is suggested that people use network resources to provide themselves with opportunities (Lin, 2001; Coleman, 1988). Hence, it can be concluded as well that in the context of the current study, knowledge is the resource or social capital that may be transferred from an individual to another individual in a network connection as a gift (Choi & Hilton, 2005). In applying the second strategy in the present study, it is important to note that the activities and amount of support received by entrepreneurs depend heavily on the result of two factors (Bruderl & Preisendorfer, 1996). On the one hand, it is expected that the nature of the opportunity structure such as the size of the network will affect the potential amount and nature of resources or knowledge received. This is because when an entrepreneur considers the opinions of a different person in the network, he or she is better informed or prepared in making any crucial business decision (McDonald, Khanna & Westphal, 2008; Burt, 2004).

On the other hand, it can also be expected that there will be more effort from entrepreneurs to activate their private network resources if they are embedded in a confined social network that is lacking resources (Bruderl & Preisendorfer, 1996). Therefore, a better approach for the current study is to maintain the flexibility of both strategies and measure the relevant dimensions from the perspective of the opportunity structure and the activity conducted and resources received. Hence, the following sub-sections discuss the relevant dimensions of networks from both strategies that were adopted in the present work.

2.10.1 Network Relationships: The Size and Strength of the Ties

As discussed earlier in section 2.6, an entrepreneur's personal relationships in a network can be in the form of formal and informal relationships where there are one or two further types of social and business-based relationships that provide the platform for the process of knowledge transfer (McLeod et al*.,* 2010). In the structural analysis of these relationships, the size of the network and the strength of the ties are the two important characteristics (Anderson, 2008; Cross & Cummings, 2004; Jenssen & Greve, 2002). Specifically, the entrepreneur's network connections each present an information channel (Fernandez-Perez et al., 2012). If an entrepreneur can make full use of different information channels within the network, it will enable the emergence, combination or recombination of good new ideas and actions (Obstfeld, 2005). This subsequently may lead to a better preparation and business decision making from the perspectives of entrepreneurs and their SMTEs.

Apart from the size, the strength of ties also plays a crucial role in influencing the flow of knowledge. Certainly, there are differences between strong and weak ties within an entrepreneur's network connections. Strong ties are when the small business owner has frequent contact based on trust with their network connections such as family and close friends (McLeod et al., 2010; Bian, 1997; Uzzi, 1997; Granovetter, 1973). These ties are especially important in the early stages of the business formation due to the emotion and intimacy involved within the relationship. According to Brereton and Jones (2001), these ties will become weaker as the small business develops.

On the other hand, a weak tie can be defined as infrequent contact between two business people in a network, which involves less emotional relationships but comes with high levels of uncertainty and importance (McLeod et al., 2010; Granovetter, 1973). In other words, despite the uncertainty, weak ties are important for gaining new ideas and opportunities from the external environment and provide contacts with people beyond the near cluster (Pavlovich, 2003).

Overall, the distinction between the strong and weak ties in the flow of knowledge has become a topic of debate among scholars. For example, Mcleod et al. (2010) explained that there is a greater opportunity of sharing new knowledge despite the less frequent contact within a weak tie of two business people in a network. Given the level of opportunity within a weak tie, it is also need to be considered that there will be less possibility of the transfer of complex knowledge since there is an arguably greater chance that the knowledge will not be shared at all with indirect contacts (Hansen, 2002).

On the other hand, the strong tie needs more maintenance since the frequency of contacts between business people is higher, which may lead to a smaller and more redundant volume of information (Fernandez-Perez et al., 2012). Nevertheless, it is also documented in the literature that there is more propensity for the exchange of more detailed information within strong ties as these networks are characterised by trust, common history and frequent communications (Granovetter, 2005, 1983; Anand & Khanna, 2002; Uzzi, 1996).

2.10.2 Trust

From the previous discussion, trust is certainly is an essential component of the collaborative relationships rather than being simply a resource to establish the network connections between organisations (Porras, Clegg & Crawford, 2004). In fact, Brunetto and Farr-Wharton (2007) assert that much discussions of trust and entrepreneurship revolves around the networks and social capital, where the network relations particularly are seen as a proxy for personal trust.

Essentially, trust is '*nurtured by commitment, by sharing information and expertise and by consolidating relationships between the parties. It is also an expression of awareness and willingness of actors to be part of the network*' (Presenza & Cipollina, 2010: 28). Therefore, trust can be very important in entrepreneurial success as it is reflected in the commitment and assistance of the strong ties such as family and close friends or particular ethnic communities (Welter, 2012; Deakins, Ishaq & Smallbone, 2007). In the context of Asian countries such as Malaysia, trust is a known foundation of the networking arrangements especially among the Chinese, as compared to formal contracts (Whah, 2003; Kienzle & Shadur, 1997). With such commitment and the assistance from network contacts, trust-based relationships enable entrepreneurs to capitalize swiftly on market opportunities and gain greater feedback on their business decision-making or ideas (Uzzi, 1997; Greve, 1995). Hence, it can be concluded that networking would not be possible without the facilitating dimension of trust, which represents one of the key characteristics of social capital (Anderson, Park & Jack, 2002).

2.10.3 Network Content

It is crucial to focus on and investigate the context of the content exchanges in addition to the nature of interactions in relationships between a focal individual and the connections of his or her personal network. Mitchell (1973), for instance, introduced three categories of the contents of the social network, namely; communication content, exchange content and normative content (see Table 2.10). It is argued that the three distinctive content types can be complicated by the 'multiplexity' of relationships (Mitchell, 1973). Essentially, multiplex relationships consist of more than one content and within any single relationship a number of contents will typically exist (Neergaard, Shaw & Carter, 2005). Haythornthwaite (1996) concurs with this notion and also gives her own definition of the resources exchanged by noting that they can be of many types that include tangibles such as goods, services or money, or intangibles such as information, social support or influence. She proceeds further by explaining the nature of the information exchange, particularly where it indicates what kinds of information are exchanged, between whom, and to what extent.

Table 2.10 – Communication Content, Exchange Content and Normative Content

Types of Contents	Explanations
Communication	Relates to the passage of information such as market opportunities or new technologies from one social contact to another.
Exchange	Exchange of resources, goods and services such as economic or commercial transactions from one social contact to another.
Normative	Norms or expectations that the social contacts have about each other from the relationship such as the characteristics of a buyer-supplier relationship where there is some set of normative principles and certain behaviours of the suppliers are expected.

Source: Mitchell (1973), Aldrich & Zimmer (1986) and Szarka (1990)

In the context of Malaysia, there is a possibility that entrepreneurs of SMTEs utilise networks with the intention of learning or gaining knowledge given their motivation to exploit the business opportunities from the growth of the country's tourism sector (National Transformation Programme Annual Report, 2017; Jaafar et al., 2011).

2.10.4 Networking Activity: Frequency of Contacts

In maintaining each of the information channels, entrepreneurs need to make an effort to mobilize their network connections through making contacts and building relationships (Bruderl & Preisendorfer, 1996; Cromie, Birley & Callaghan, 1993). If the situation requires it, entrepreneurs with personal networks that are lacking in basic resources will try harder to mobilize support from their networks and become more successful in activating it (Bruderl & Preisendorfer, 1996). From this, it needs to be understood that an examination of networking activity is crucial in determining to what degree entrepreneurs make use of their personal networks for the improvement of the operation or management of their businesses.

Consequently, the frequency of contact between entrepreneurs and their network connections is an appropriate dimension that can be adopted in the current research. Essentially, frequency of contact represents the degree of effort in the form of the social interactions that occur between the entrepreneurs and their network connections.

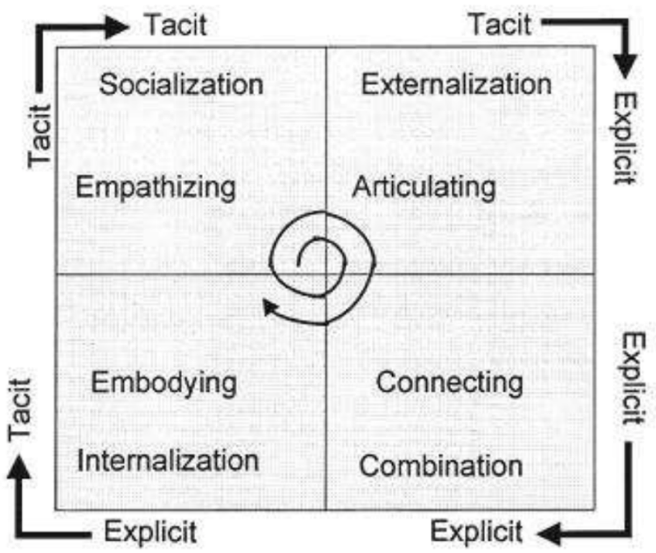
Referring to the past literature, frequent communication with network contacts may enable the transfer of trustful and codified tacit knowledge (Chua, 2001; Grant, 1996). In addition, the frequency of contact is can also be used jointly with the intensity of trust in the measurement of the networks' tie strengths (Fernandez-Perez et al., 2012). With the addition of frequency of contact to the size of the network, the strength of ties and trust, it incorporates the balance of both strategies outlined by Bruderl and Preisendorfer (1996) in analysing networks and their links with the absorptive capacity of SMTEs.

2.11 Knowledge Transfer

To understand the process of how knowledge is absorbed by entrepreneurs and their SMTEs, it is important to firstly address how knowledge is transferred to them from their respective networks. Basically, the process of knowledge transfer is important for business performance and innovation as well as competitiveness and this has been increasingly recognized within the tourism sector (Shaw & Williams, 2009). This notion is highlighted since the tourism sector has undergone significant developments, especially in terms of databases, customer relationship management tools and the reservation process to name a few (Hallin & Marnburg, 2008; Cooper, 2006; Sigala, 2005). According to Beesley and Cooper (2008: 55), knowledge transfer occurs '*when information has been reasoned over and incorporated into the receiver's existing knowledge structures*'. This process involves various levels of transfer '*between individuals, from individual to explicit sources, from individuals to groups, between groups, across groups, and from group to the organisation*' (Alavi & Leidner, 2001: 119). However, the nature of the transferability of the knowledge is quite complex especially when it involves tacit knowledge that is entrenched in people (see section 2.9.1).

This is due to the lack of conscious awareness as well as the limitation of people's ability to explain the tacit knowledge that has been assembled and stored over time (Chilton & Bloodgood, 2007). Consequently, this raises the issue of how to 'dis-embody' or explain tacit human knowledge in such a way that it can become information that can be communicated (Spender & Grant, 1996). It is also worth considering the fact that tacit and explicit knowledge are complementary and to a certain degree they are mutually transformable (Nonaka & Takeuchi, 1995).

Figure 2.2 – Modes of Knowledge Conversion



Source: Nonaka & Takeuchi (1995)

Against this background, Nonaka and Takeuchi (1995) propose four different modes of how the tacit and explicit knowledge can be transferred and created through knowledge conversion. According to Figure 2.2, the four modes comprise socialization, externalization, combination and internalization. Notably, the spiral flow in the centre of the box represents the movement of knowledge through individual, group and organisational level (Alavi & Leidner, 2001).

For the first mode of socialization, this refers to the conversion of tacit to tacit knowledge, which can occur through a face-to-face meeting or on-the job trainings as experience and ideas are exchanged. Externalization relates to the articulation of tacit to explicit knowledge that can be seen in a brainstorming session. The third mode of combination is the conversion of explicit to explicit knowledge through the transfer of knowledge from one explicit form such as a paper document to the other explicit form of databases (Weidenfeld, Williams & Butler, 2010). These databases can then be 'internalized' to the tacit knowledge in the form of an organisation's new manual for the employees, for instance. Despite all the four conversion modes just representing the knowledge flow within the boundary of the organisational level, it needs to be understood that similar fundamentals are also applied to knowledge transfer from an inter-organisational perspective.

2.11.1 Tourism Inter-Organisational Knowledge Transfer

According to Hamel (1991), knowledge transfer across independent business organisations is challenging due to differences in motivations, goals and strategies of learning among the network connections. Within the context of small and medium-sized enterprises (SMEs), it is generally agreed among scholars that entrepreneurs value the inter-organisational knowledge transfer as there is evidences that they make use of social networks to gain access to the advice and relevant information (Schoonjans et al., 2013; Hoang & Antocic, 2003). Particularly for SMTEs, scholars noted entrepreneurs' dependence on help, support or advice from their informal and formal networks of families, friends, suppliers and customers (Laursen & Salter, 2014; Mina, Bascavusoglu-Moreau & Hughes, 2014; Ahmad, 2005a).

The reason for this is because of their small operational size, which subsequently leads to the lack of internal sources to create the knowledge 'in-house' as compared to their larger counterparts (Schoonjans et al., 2013; Easterby-Smith & Lyles, 2003). In order to compensate for the disadvantages of their operational size, Nonaka and Takeuchi (1995) assert that organisations actively manage their flows and application of knowledge, which includes ascertaining knowledge resources, capturing tacit and explicit knowledge and codifying and communicating tacit knowledge for redistribution within or between organisations.

Thus, in order to embrace the concept and importance of the 'in-house' internal sources and external sources of knowledge, scholars such as Easterby-Smith and Lyles (2003) and Hislop et al*.* (1997) adopted the systematic categorisation of micro and macro-levels from the organisational perspective. At the micro-level, tacit knowledge is created and shared 'in-house' as it involves various forms of individualized and collective learning through socialization of face-to-face interaction (Desouza & Awazu, 2006; Easterby-Smith & Lyles, 2003). This knowledge is crucial to an organisation's competitive advantage and therefore should be kept within the boundaries of the organisation. This explains the unwillingness of SMEs to share this particular dimension of knowledge as it is estimated that out of 80 percent of tacit knowledge within the SMEs 'reservoir', only 10 to 20 of it is transferred (Cooper, 2008).

Despite this unwillingness, SMEs are still able to gain access to tacit knowledge through the macro-level knowledge transfer. At this level, it involves the transfer of knowledge at the inter-organisational and extra-organisational levels (Weidenfeld et al*.*, 2010). This can happen through different vehicles such as inter-firm linkages and partnerships, firms and other knowledge-creating bodies of universities and government agencies for instance, and informally based exchanges within the social settings of businesses (Bathelt, Malmberg & Maskell, 2004).

The common ground for these vehicles is the flow of the knowledge transfer that goes through the 'conduit' mechanism of networks, which provide the 'road-path' and thus, connect all of them. In order for this to occur, the 'in-house' knowledge needs to be 'externalised' (see Figure 2.3), codified and converted to be explicit so that it can be communicated in the networks of organisations. Hence, trust in the networks plays a crucial role in strengthening the relationships between the organisations (Porras et al*.,* 2004) and subsequently influences the commitment, awareness and willingness of the SMEs to share information within their macro-level of networks. In the context of tourism multi-sectoral interactions, on the other hand, the inter-organisational perspectives considered by Weidenfeld et al*.* (2010) can be linked to the work of the systematic categorisation of the vertical and horizontal networks by Sorensen (2007).

As previously mentioned, the vertical relationship concerns the relationship between tourism firms and their distributors or suppliers generally, while the horizontal addresses the relationships between similar organisations (e.g., between hotels) or different types of organisations (e.g., hotels and attractions). From this, Williams and Shaw (2011: 37) assert that knowledge within the horizontal networks of similar organisations is important in providing the sector-specific experience as '*it involves the transfer of best or better practices between enterprises*'. They further continue that codified tacit knowledge can be accumulated between horizontal networks of different organisations (inter-sectoral), while explicit and generalised knowledge can be transferred along the vertical relationships of value chains.

Overall, both characteristics of networks are useful in the sense that they are able to provide important insights for the current work. This is because the aim of this study is to focus on the process of absorptive capacity from the perspective of the entrepreneurs of SMTEs. Within the SMTEs, Argote and Ingram (2000) assert that knowledge is embedded in the three basic elements of members (human components), tools (hardware and software that constitute technological components) and tasks (an organisation's goals, intentions and purposes).

For the knowledge to be embedded within these elements, DeSouza and Awazu (2006) stress the importance of the entrepreneurs or business owners of SMEs to act as the 'knowledge repositories' in the process of 'socialization' (see Figure 2.3) since the knowledge is only 'internalized' when it is communicated from the business owners to their employees. Essentially, the internalization process of knowledge is crucial for SMEs in general to solve relevant problems and achieve organisational goals as well as to respond to niche markets or consumer needs, which are mainly driven by economic self-interest (Shaw & Williams, 2010; Cooper, De Lacy & Jago, 2006; Thomas, 2000; Hjalager, 1997). In this sense, it can be postulated that absorptive capacity is crucial for business performance. This is in line with the notion by Levitt and March (1996), who note that positive absorptive capacity can facilitate the conversion of knowledge into better organisational performance. With this in mind, the next section discusses the concept of absorptive capacity and its' role within the setting of tourism.

2.12 Absorptive Capacity

As stated by McLeod et al. (2010) and Fadeeva (2004), knowledge sharing through networks enable a business to improve its performance due to the extra-institutional space created for innovation. For this to happen, the organisational capability in the form of absorptive capacity is required to leverage and transform the transferred knowledge into the created values that enhance the business performance (Flatten et al*.,* 2011; Valentina & Passiante, 2009). As Lane, Koka and Pathak (2006: 833) put it, '*developing and maintaining absorptive capacity is critical to a firm's long term survival and success because absorptive capacity can reinforce, complement, or refocus the firm's knowledge base*'.

Given the role of absorption capacity in leveraging and transforming the knowledge derived from entrepreneurs' personal networks, it heightens the importance of this organisational capability to be considered as part of the networking process that led to the enhancement of business performance (Valentina & Passiante, 2009). In other words, the absorptive capacity is crucial as a mediating variable between the use of networks and the business performance. Considering the potential of the absorptive capacity to surface as a function of the network, it helps to conceptualize, explain and model the process of the overall impacts on the business performance, which is in line with the definition of a mediating variable by Sekaran and Bougie (2010).

With the importance of the absorptive capacity as a potential mediator between the networks and business performance, it is worth noting that the concept '*has been largely ignored or has been tangential to research conducted by scholars with an interest in tourism*' (Thomas & Wood, 2015: 86). Indeed, this notion is further reinforced by the results of systematic review on absorptive capacity in Table 2.9. This is in contrast with the context of the general management literature, where there is a huge growth of interest in the absorption capacity with various levels of theoretical domains and dimensions (Camison & Fores, 2010).

For instance, Cohen and Levinthal (1989) produced one of the earliest contributions on the work of absorption capacity by defining it based on the ability to learn from external knowledge through processes of knowledge identification, assimilation and exploitation. They also argued that absorptive capacity is a by-product of an organisation's research and development (R&D) activities and this perspective was revised in their subsequent work (see Cohen & Levinthal, 1990) by including further cognitive dimensions in the form of the diversity and breadth of the firm's knowledge base, prior learning experience, shared language, cross-functional interfaces and the mental models and problem solving capacity of the employees (Camison & Fores, 2010). With these inclusions, Cohen and Levinthal (1990) define the absorption capacity construct as the capacity of an organisation to value, assimilate and apply, for commercial ends, knowledge from external sources.

Lane and Lubatkin (1998) reinterpreted the theoretical construct of absorptive capacity by focusing on the 'learning dyad' between two different organisations of 'teacher' or sender and 'student' or receiver. This is different from the works of Cohen and Levinthal (1989, 1990), who examine the construct from the firm's perspective. Thus, the main difference between both works lies in the unit of analysis. In relation to this, Lane and Lubatkin (1998) coined the term of 'relative absorptive capacity', which is based on the joint ability derived from both attributes of the 'student firm' and the 'teacher firm' that consist of similar capability dimensions to value, assimilate and apply new knowledge.

Another significant reinterpretation of Cohen and Levinthal's work was produced by Zahra and George (2002), who proposed two complementary subsets of the concept, which consist of potential and realized absorption capacity. They basically expand the original three-dimensional model from the Cohen and Levinthal study into four dimensions of knowledge acquisition, knowledge assimilation, knowledge transform and knowledge exploitation. Accordingly, the first two capabilities of acquisition and assimilation are categorised as the dimensions of potential absorption capacity while the realized absorption capacity comprises knowledge transformation and knowledge exploitation.

Certainly, the important feature that makes this work one of the most highly cited contributions is the reconceptualization of the theory as a dynamic capability by linking the construct to a set of organisational routines and strategic processes (Thomas & Wood, 2014; Camison & Fores, 2010).

Considering all the discussed definitions (Cohen & Levinthal, 1989, 1990; Lane & Lubatkin, 1998; Zahra & George, 2002), it can be observed that they share a key common ground of the identification of the relevant external information, which is important in extending the organisation's 'in-house' knowledge by stimulating innovation and competitiveness (Matusik & Heeley, 2005). Because of this, successful knowledge transfer and absorption is crucial in order to ensure that the external information flows from the sender in the network to the intended receiver, which in the context of this study is represented by the focal point of the entrepreneur. Since there are very limited tourism studies that analyse absorptive capacity, it is important to have a further discussion on the theoretical consideration of the concept.

2.12.1 Conceptualization of Absorptive Capacity in Tourism

Tourism is a dynamic and complex multi-sectoral service as it is characterised by the consistent changes and transformation due to ever-evolving tourist preferences and the emergence of new technology (Hall & Williams, 2008; Wahab & Cooper, 2001; Agarwal et al*.,* 2000). Subsequently, the dynamic environment of tourism itself demands the interaction between the diverse networks of tourism organisations to consistently respond to these changes as one of the crucial antecedents for a competitive and successful tourist destination (Zee & Vanneste, 2015). Looking at the perspective of tourism organisations, this notion further heightens the importance of dynamic capabilities as they reflect the abilities of organisations to reconstruct their core competencies in providing the consistent responses towards their ever-changing business environment (Sun & Anderson, 2010). The dynamic nature of this capability can be observed particularly at the crux of the concept, where it highlights the importance of both internal and external knowledge in SMTEs' operations.

For instance, Valentina and Passiate (2009) assert that absorptive capacity focuses on the ability of the firms to capture, use and share internal knowledge. At the same time, the ability to scan the environment is equally crucial for the firms to receive and interpret external knowledge such as new markets, new technologies and competitive threats with the end purpose of generating superior returns (Teece, 2000). This is because there is emerging evidence that tourism enterprises are particularly reliant on external knowledge especially from the suppliers given the dynamic of a sector that demands interaction for the successful livelihood of the businesses and destinations (Zee & Vanneste, 2015; King, Breen & Whitelaw, 2014; Williams & Shaw, 2011).

Due to these reasons, Thomas and Wood (2014, 2015) consider the theoretical refinements of absorptive capacity by Zahra and George (2002) as a convenient starting point for the conceptualization of this capacity in tourism. Essentially, Zahra and George (2002) assert that organisations should develop and manage the dimensions of acquisition, assimilation, transformation and exploitation simultaneously in order to improve business performance. For instance, an organisation could not possibly exploit knowledge without acquiring it in the first place. Similarly, an organisation without the ability to transform and exploit knowledge could not influence the business performance even though it successfully enlarged the knowledge base by having the ability to acquire and assimilate the knowledge (Flatten et al*.,* 2011).

Therefore, both subsets of potential and realized absorptive capacity are necessary and complement each other in providing the consistent dynamic condition to influence business performance. Due to this, Thomas and Wood (2014, 2015) argue that unidimensional measures such as expenditure on research and development or number of research staff which can be found mostly in the manufacturing sector are inadequate and too crude for measuring the dynamic concept of potential and realized absorptive capacity within tourism. In fact, the utilisation of the unidimensional measures can lead to the concept of absorptive capacity viewed as a static resource instead of as a dynamic process or capability (Lane et al., 2006).

Table 2.11 – Definitions of Capabilities of Absorptive Capacity

Capability	Definition
Acquisition	The organisation's ability to identify and obtain knowledge from the external environment. The quality of acquisition can be impacted by the intensity, speed and direction of effort.
Assimilation	The process of interpretation of the external knowledge, where the understanding of the context it originates from is imperative for accurate comprehension and its' potential importance to the organisation.
Transformation	Combination of new knowledge with the existing ones within the organisation which subsequently lead to new schema, understanding or insights.
Exploitation	Establishment of the procedural mechanism in enabling the organisation to exploit new knowledge by changing or refining the current practices or initiate the new ones.

Sources: Zahra & George (2002), Thomas & Wood (2014, 2015) and Easterby-Smith, Antonacopoulou & Ferdinand, 2008).

For this reason, Zahra and George's (2002) measurement of absorptive capacity is considered appropriate for the application in the context of the tourism sector. Table 2.11 presents the working definition for each capability of acquiring, assimilation, transformation and exploitation. Given the initial postulation on the suitability of the application of the four dynamic capabilities of Zahra and George (2002) in the context of tourism, it is important to examine some tourism studies on the absorptive capacity. Considered as some of the most important works in the area given the nature of the results of the systematic review in Table 2.9, Thomas and Wood (2014, 2015) introduced a conceptual model of absorptive capacity with the inclusion of conceptual antecedents and other additional factors, which are claimed to be key to a more comprehensive understanding of the innovative behaviour and competitive advantage of tourism stakeholders.

Specifically, the selection of the additional factors is made based upon their ability to '*enable or limit the extent of absorptive capacity or its consequences'.* (Thomas & Wood, 2014: 41). Interestingly, Thomas and Wood conclude in both of their works that the four hypothesized components of Zahra and George's (2002) absorptive capacity need to be reviewed and modified if they are to have application in tourism.

All things considered, it is worth noting that the scarcity of the tourism research on absorptive capacity that could be identified in the systematic review (see Table 2.9). Therefore, it is the intention of the current research to adapt the conceptualization of Zahra and George's four dynamic capabilities in tourism by Thomas and Wood (2014, 2015) in the setting of the current study. There are four reasons why this decision was made. First, the conclusions made by Thomas and Wood (2014, 2015) cannot be generalised to the different research settings especially in the tourism sector of Terengganu, which has unique cultural values and other distinctive dynamics and characteristics. Second, the scope of this study is different in the sense that it looks to analyse the link of absorptive capacity with the characteristics of entrepreneurs and SMTEs, networks and business performance. This is in contrast with the research of Thomas and Wood (2014, 2015), whose research focussed on the conceptualization and validation of the absorptive capacity's model in relation to the competitive advantage and innovation.

Third, the adaptation of the four dynamic capabilities from Zahra and George (2002) by Thomas and Wood (2014, 2015) are made based on the essential agreement on the dynamic features that can be associated with the measurement in the analysis of the concept itself. Fourth and finally, there is an apparent need for more tourism studies that utilise these four dynamic capabilities in order to provide more knowledge to produce further perspectives and analysis on the applicability of this measurement in tourism.

2.13 Business Performance

In this section, the multi-dimensional characteristics of business performance, both financial and non-financial, are discussed. The potential business performance impacts of networking and the absorptive capacity have been discussed at numerous points above. There is no previous study of the tourism sector that links business performance, absorptive capacity and networks (see Table 2.9), hence here the discussion is framed around the wider SME based literature. The adoption of a networking strategy and the absorption of the knowledge derived is particularly pertinent in the SME context. SMEs face a number of challenges associated with their scale in sustaining their operation and being successful in their line of businesses. For this reason, the inclusion of the variable of business performance is central to the current research given its position at the heart of strategic management and the importance of it to indicate the level of success in achieving organisational goals (Chelliah, Sulaiman & Yusof, 2010; Foley & Green, 1989, Venkatraman & Ramanujam, 1986).

Against the positive assertions of the impacts of networks and knowledge on business performance, it is worth mentioning that some scholars remain unconvinced. Thomas and Wood (2014) for instance, highlight that there are differences of opinions among scholars on the centrality of the knowledge as the basis for competitive advantage. Specifically, questions have been raised on the inevitable link between effective mobilization and utilisation of cognitive capacity to enhance the competitiveness of the firms (Alvesson & Spicer, 2012).

In fact, Lane et al. (2006) highlight the unsatisfactory theoretical progress of the absorptive capacity which has led to the lack of the critical examination of the concept. This is despite the increasingly loose and different ways of utilisation of absorptive capacity in research with the absence of any sort of definition or qualification (see the usage of absorptive capacity in the study of Correia and Brito in 2014 for example) (Thomas & Wood, 2014).

Given the opposing perspectives of some of the scholars, especially on the potential impacts of knowledge on business performance, the current work aims to make an important contribution in analysing the actual influence of the external knowledge absorbed from the networking activities in the SMTE context. Based on this premise, the measurement aspects of business performance need to be reviewed and employed as the dependent variable of this research. Generally, there are many ways to measure business performance. In the case of the current study, multiple dimensions of business performance were chosen in line with suggestions from the literature (Lumpkin & Dess, 1996; Venkatraman & Ramanujam, 1986; Wiklund & Shepherd, 2005). This decision was taken considering the multidimensionality of business performance itself. For instance, Lumpkin and Dess (1996) suggest that the dynamic of entrepreneurial processes may lead to contrasting or distinctive outcomes of two different aspects of business performance. Therefore, it is considered that multiple dimensions of financial and non-financial measurements should be used to enable a broader and comprehensive conceptualization of business performance (Murphy, Trailer & Hill, 1996). In line with this notion, two dimensions of annual sales turnover and business management were chosen to represent the both respective financial and non-financial measurements (see sub-section 4.5.1 for further details on the measurements of business performance).

2.14 Summary and Development of Conceptual Framework

This section provides an overview of the key findings of the literature review and uses these to aid in the development of a conceptual framework to underpin the rest of the study. Overall, there are two key components of this chapter that can be highlighted as justification for the need to conduct research on the characteristics of entrepreneurs and SMTEs, networks, absorptive capacity and business performance. These are: (1) the theoretical and practical importance of linking all the variables, and (2) the nature of the results of the systematic review. The theoretical and practical importance are evidenced through the observation of other SMEs from other sectors that benefit through the adoption of a networking strategy, which helps them to compensate for their lack of knowledge and resources as well as for the difficulties in achieving the economies of scale

(Schoonjans et al*.,* 2013). Basically, there are two different types of networks – formal and informal. A number of studies suggest that formal and informal networks influence business performance in different ways and to a different extent (Zahra & George, 2002; Frazier & Niehm, 2004; Zehrer & Raich, 2010, Lewis, 2002; Grant & Baden-Fuller, 2004; Shaw, 1998; Shaw & Williams, 2009; Gulati et al., 2000; Hakansson & Snehota, 1997).

Given these distinctions, the current work needs a conceptual framework to be able to distinguish the influences and mediating factors for SMTE engagement in networking activities and the impact of such networking on business performance measured in different ways. Later work will test this conceptual framework using various methods, both quantitative and qualitative (see Chapter 4 for more details). It is hoped that the development of a tested integrated model will be able to provide the empirical groundwork for enabling a better understanding of the potential impacts of future networking activities on the success of the SMTEs and tourism sector in Terengganu.

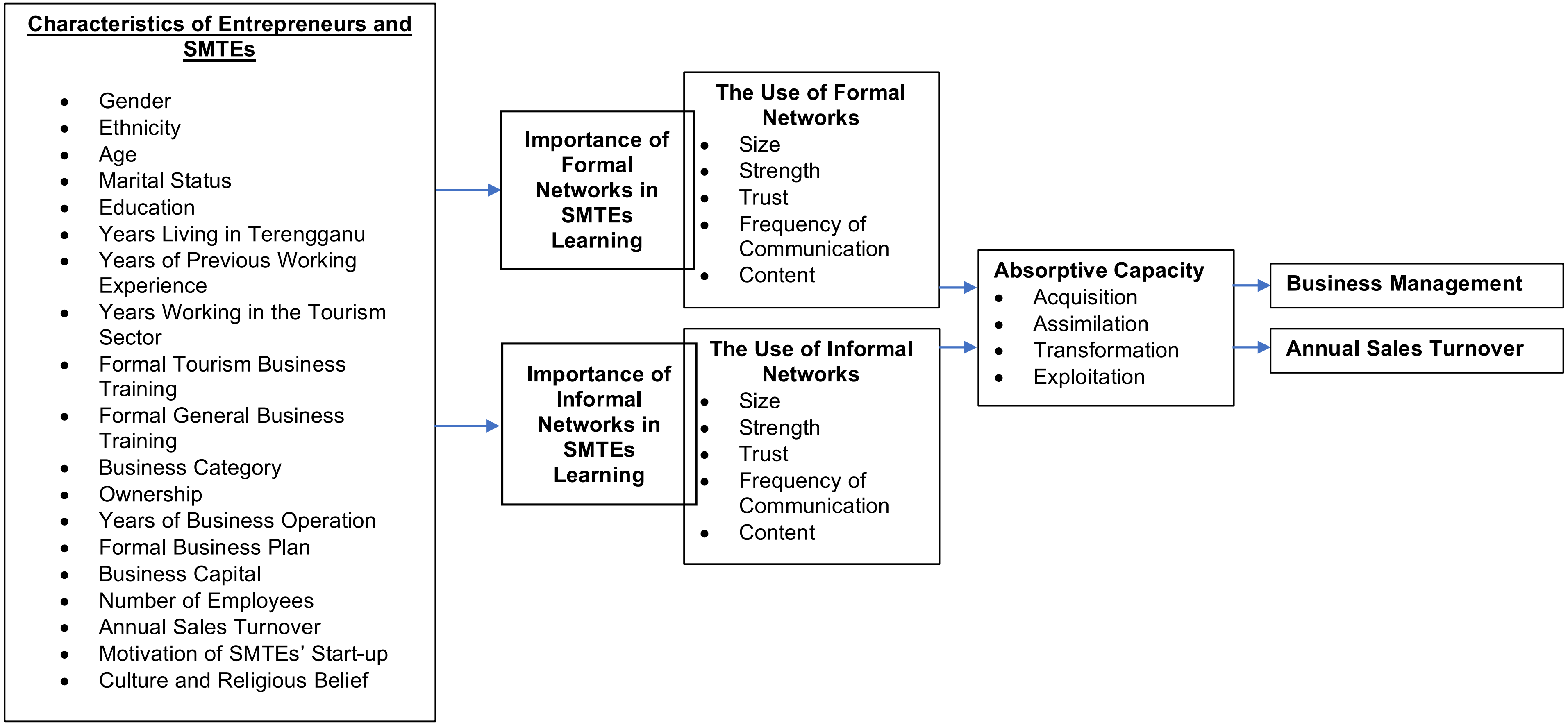
Building the conceptual framework requires a comprehensive outlook, taking into consideration contextual factors such as the profiles of the entrepreneurs and SMTEs, their cultural values and the characteristics of formal and informal networks. Their perceptions of the importance of formal and informal networks may form an important part or component of entrepreneurial inclination to activate or mobilise their respective networks (see e.g. Bruderl and Preisendorfer, 1996).

Based on the findings of the literature review, Figure 2.3 presents a unified conceptual framework to provide a better understanding of the primary interlinkages between the characteristics of entrepreneurs and SMTEs, networks, absorptive capacity and business performance. It can be seen that this attempts to isolate the impacts of both formal and informal networks – and the different attributes of entrepreneurs and SMTEs felt to influence the potential of engagement with networks. It identifies both the perceived importance of engagement in networking and the use of different types of networks (which is influenced by factors including trust and the content of learning available through network activities).

The absorptive capacity of an SMTE is felt to be a key mediating factor that impacts on the influence networking has on business performance, measured through business management and annual sales turnover. Absorptive capacity is determined by four dynamic capabilities – acquisition, assimilation, transformation and exploitation.

This conceptual framework presents an important first step in the process of modelling the relationship between networking and business performance. An important factor that influences these relationships is that of context. The next chapter presents an overview of Terengganu and Malaysia, providing a justification for the choice of research setting and giving insights into the economy and tourism sector.

Figure 2.3 – Conceptual Framework



Source: Author

CHAPTER 3
MALAYSIA, TERENGGANU AND TOURISM

3.1 Introduction

Terengganu, a region in Malaysia, was selected as the research setting for this study. Therefore, it is the aim of this chapter to present the characteristics of Terengganu to provide an improved understanding of the context of the research. The chapter is structured as follows. First, an overview of Malaysia is given, before focusing in on Terengganu. Within this section, it highlights the geographical characteristics, historical background, the people, the political environment and the economy. As for the discussion on the political environment and the economy, links with tourism are made in understanding the importance, dynamics and influences of both dimensions in characterizing the tourism sector in Malaysia generally and in Terengganu particularly.

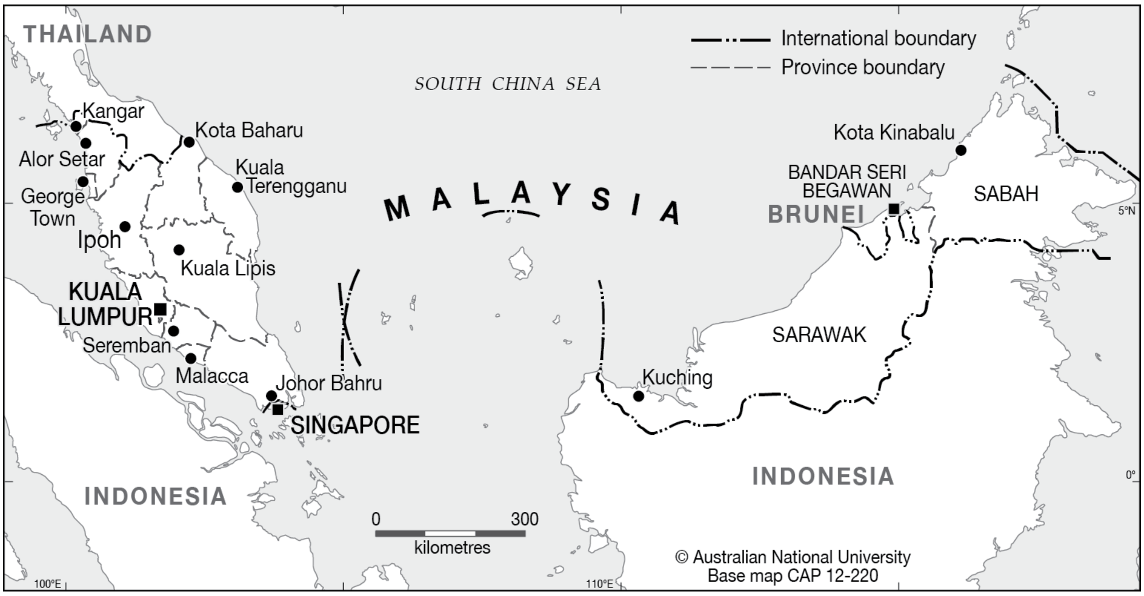
Then, the next section examines the role of government by addressing the historical development and initiatives that have been taken since Malaysia became independent in 1957. Next, this chapter reviews the tourist products in Malaysia and Terengganu and provide justifications on the selection of the four different types of SMTEs (hotels and resorts, travel agencies, restaurants and handicrafts). Lastly, this chapter ends with a summary which addresses the selection of Terengganu for a research setting.

3.2 The Profile of Malaysia and Terengganu

As shown in Figures 3.1 and 3.2, Terengganu is one of the three states (aside from Kelantan and Pahang) that is located on the north east-coast of Malaysia. Geographically, Malaysia is a Southeast Asian country that has a total landmass of 329,960.2 square kilometers, which is divided into the two regions of Peninsular Malaysia and Borneo Island by the South China Sea (The Government of Malaysia's Official Gateway, 2018).

Overall, there are 13 states of Malaysia: Johor, Kedah, Kelantan, Malacca, Negeri Sembilan, Pahang, Penang, Perak, Perlis, Sabah, Sarawak, Selangor and Terengganu with the additional three federal territories of Kuala Lumpur, Labuan and Putrajaya. The neighbouring countries are Thailand and Singapore, which are situated in the northern and southern parts of the Peninsular while Brunei and Indonesia share their borders with Malaysia on Borneo Island.

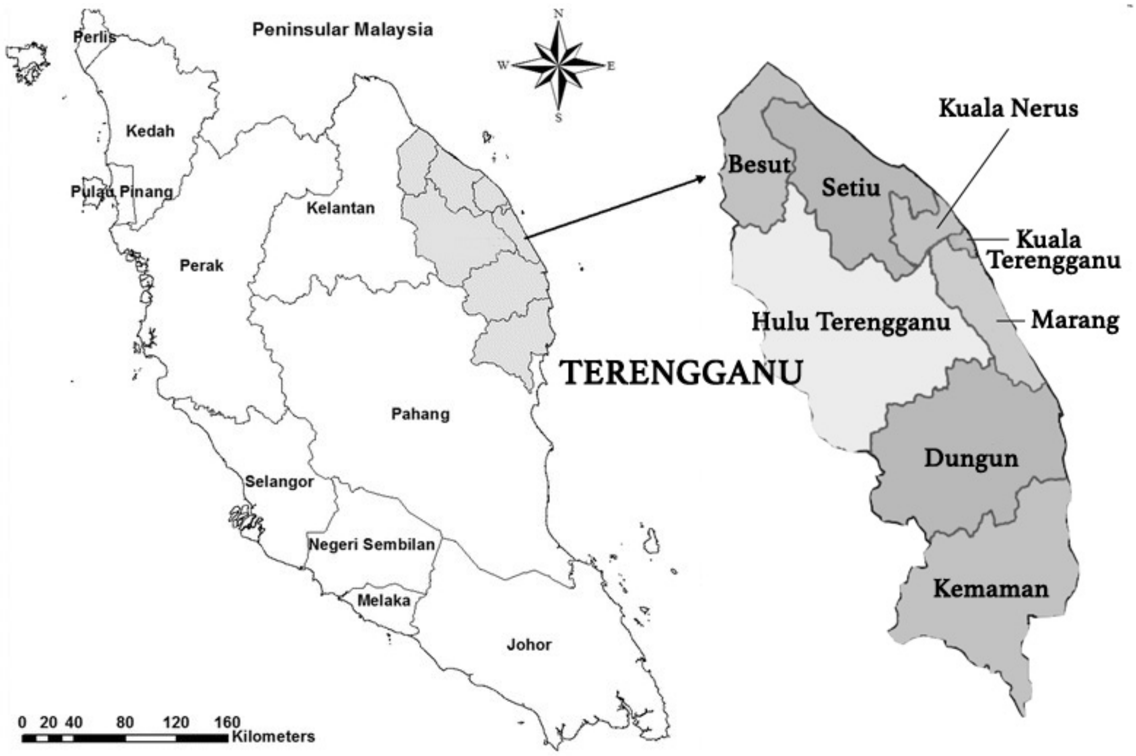
Figure 3.1 – Map of Malaysia (Scale)



Source: CartoGIS Services, College of Asia and the Pacific, The Australian National University (2012).

In the context of Terengganu, the state encompasses a total area of 13,035 square kilometers. This area also includes several outlying islands such as Perhentian, Redang and Kapas. As for the coastal area in Terengganu, it stretches for 225 kilometers from the north (Besut) to the south (Kemaman). In terms of administrative states or districts, Terengganu has 8 of them: (1) Kuala Terengganu, (2) Kuala Nerus, (3) Kemaman, (4) Marang, (5) Setiu, (6) Hulu Terengganu, (7) Besut and (8) Dungun. Out of these 8 districts, Kuala Terengganu is the administrative, royal and economic capital of Terengganu.

Figure 3.2 – Map of Terengganu (Scale)



Adapted from Elyana et al. (2016)

Standard Malaysia and Terengganu's Time is eight hours ahead of GMT. Malaysians use the Malaysian Ringgit (RM) for currency, which has the approximate value of 1 GBP for RM5.60 (based on 2016 constant prices).

3.2.1 Historical Background

Before gaining independence in 1957, Malaysia had a major regional trading port in Malacca where the Chinese, Indian, Arab and Malay merchants traded their goods back in the 14^{th} century (Andaya & Andaya, 2017). In the late 1970s, the British took control of Malacca and other Malay Peninsula states including Terengganu (Andaya & Andaya, 2017; Ahmad, 2005b). Similar to the other post-colonial states, the years of colonization have left a lasting impact on Malaysia as it can be clearly seen by the multi-ethnicity within the country (Salmond, 2010). At the time of colonization, the British encouraged Chinese merchants to move to Malaysia for the better facilitation of the movement of the region's goods.

Indian labourers also arrived to provide sufficient manpower for rubber plantations and tin mines on the Malay Peninsula (Ahmad, 2005b; Salmond, 2010). Within the movement to gain independence from British colonization, the leaders from the three major ethnic groups were cooperating politically under a coalition named as the Alliance to pressurize the British into conceding independence (Ahmad, 2005b). On 31st August 1957, they were finally successful in gaining independence under the name of the Malay Federation (Andaya & Andaya, 2017; Ahmad, 2005b). Other British colonies of Singapore, Sarawak and Sabah joined the Federation and Malaysia was born on 16th September 1963. On the 9th August 1965, however, Singapore withdrew from Malaysia with Terengganu remaining as part of a sultanate and constitutional state of the country (Ahmad, 2005b).

3.2.2 People

According to the latest statistics provided by the Department of Statistics Malaysia (2017), the population in the whole country was recorded to be at 32 million in 2017. Out of this total population, the majority of the population is Malay at 19.8 million (61.9%) and this is followed by Chinese and Indian, which are recorded at 6.7 million (20.9%) and almost 2 million (5.9%) respectively. Other races and non-citizens of Malaysia make up the rest of the population with 3.6 million (11.3%). This overall pattern is consistent in the context of Terengganu, where the Malays constitute most of the population albeit with a higher majority percentage at 1.1 million (91.7%), and the Chinese and Indians are recorded at 28,400 (2.3%) and 2,400 (0.2%) people correspondingly (Department of Statistics Malaysia, 2017). With the addition of others and non-citizens to the reported numbers of Malay, Chinese and Indians, the total population in Terengganu amounts to 1,207,700 million. Another statistic that needs to be highlighted apart from the total population is that Terengganu has the distinctive record of having the highest percentage of ethnic Malays or *Bumiputera* as compared to the other states in Malaysia (Table 3.1).

Table 3.1 – Population Percentage of States and Ethnic Group

States	Malay and Bumiputera (%)	Chinese (%)	Indian (%)
Johor	54.0	29.5	6.4
Kedah	75.9	12.0	6.6
Kelantan	93.1	3.0	0.2
Melaka	64.9	23.7	5.6
Negeri Sembilan	57.8	13.8	0.3
Pahang	75.0	14.1	4.0
Pulau Pinang	41.7	39.8	9.5
Perak	56.4	27.9	11.2
Perlis	85.8	7.5	1.2
Selangor	53.0	24.3	11.3
Terengganu	**94.4**	**2.4**	**0.2**
Sabah	58.5	7.9	0.3
Sarawak	70.6	22.4	0.3
Wilayah Persekutuan Kuala Lumpur	75.4	9.7	0.8
Wilayah Persekutuan Labuan	75.4	9.7	0.8
Wilayah Persekutuan Putrajaya	94.0	0.6	1.4

Source: Department of Statistics Malaysia (2017). Note: This statistic does not include the percentage of the non-citizens of Malaysia.

For clarification, the category of ‘others’ refers to the other *bumiputera,* which means ‘sons of the soil’ (Salmond, 2010). This term is specifically reserved for the Malays and ‘*other numerically small but historically important indigenous groups, now collectively known as orang asli’* or literally meaning original people or aboriginals (Andaya & Andaya, 2017: 5; Salmond, 2010). As for the non-citizens, the statistics provided by the Department of Statistics Malaysia do not list their ethnicities while the origins of foreign workers have further contributed to the country’s demographic complexity (Department of Statistics Malaysia, 2017; Andaya & Andaya, 2017).

This complexity is underpinned by the many religions worshipped in Malaysia with Islam for instance, becoming a metaphor for 'Malayness' considering that '*constitutionally, a Malay is a person who speaks Malay and follows Malay customs and the Islamic religion*' (Henderson, 2003: 449).

3.2.3 Politics

Basically, Malaysia adopts a parliamentary democracy with a constitutional monarchy where the head of the country is the *Yang Dipertuan Agong* (YDPA) commonly known as the King. Since independence, the general election in Malaysia has always been dominated by *Barisan Nasional* (BN) or National Front, which consists of a coalition of 13 parties, with the most prominent of them claiming to represent the interests of the major ethnic groups of Malay, Chinese and Indian (Andaya & Andaya, 2017). In particular, the parties within the BN coalition are dominated by the United Malay National Organisation (UMNO) and are traditionally supported by the Malayan Chinese Association (MCA) and the Malayan Indian Congress (MIC) (Henderson, 2003; Ahmad, 2005). As for the opposition parties, there are two conflicting sides of *Pakatan Harapan* (Hope Pact or commonly known as PH) and *Parti Islam SeMalaysia* (PAS).

Within the country's political landscape, race and religion have always been the traditional foundation that also shapes the cultural understandings (Salmond, 2010; Henderson, 2003). This is in line with the assertions from Andaya and Andaya (2017: 5), who suggest that ethnicity issues have consistently '*pervade virtually all aspects of modern Malaysian society'.* This stems from the disagreement on the management of ethnic diversity through the implementation of the government policies to protect and promote the interest of the Malays and *Bumiputera* (Henderson, 2003). Notably, with the country embracing the multi-ethnicities through the guarantees of citizenship and related liberal citizenship regulations, there are growing concerns among the Malay and *Bumiputera* that this acceptance will lead to the loss of their identities and powers as the original people of the land (Saad, 2012; Salmond, 2010; Andaya & Andaya, 2017).

The concern among the Malays is particularly heightened due to the economic inequality in terms of ethnicity and geography. During the years of British colonization, the dominance of Chinese migrants within trade and the economy established them in a superior position as compared to the Malays (Salmond, 2010). This is particularly manifested in terms of the highest output per worker in the sectors of manufacturing and commerce, where the Chinese are predominantly found while the majority of Malays are employed in agriculture, where the output per worker is the lowest (Saad, 2012). Given the clear identification of race with economic function, most of the Chinese base themselves in the urban areas or main cities while the majority of Malays live in rural areas (Saad, 2012; Salmond, 2010). For these reasons, in exchange for the liberal citizenship regulations for the non-Malays, clauses that guaranteed the rights of Malay and *Bumiputera*, the position of Malay language and Islam as the official state language and religion as well as the protection of the monarch as the head of the country were inserted and formally adopted in the Malaysian constitution (Henderson, 2003; Salmond, 2010).

With the rights of the Malays protected constitutionally, the government has introduced policies that were designated to address the ethnic imbalance as the Malays struggled with poverty, lack of education and unemployment (Salmond, 2010). Some of these policies concern the '*establishment of Malay quotas in government and higher education, discounts on real estate purchases and subsidies for businesses and property*' (Salmond, 2010: 9). In addition to this, the government has also created several institutions that were designed to improve the welfare, business and economic conditions of Malays and *Bumiputera* such as the Council of Trust for the People (MARA) and Permodalan Nasional Berhad (PNS or PERNAS) (Akhir, Kim & Suh, 2013, Ahmad, 2005b; Salmond, 2010). The implementation of these policies is not popular with some non-Malays and this subsequently become a divisive issue that consistently framed Malaysia as a multi-racial country. Despite these complexities, the multi-racial aspect has also necessitated the prevailing of uneasy pluralism and unity as Malaysia embraces modernity and accepts a degree of secularization towards full development while presenting itself as a moderate Islamic nation (Henderson, 2003).

In striving towards becoming a developed nation, Salmond (2010: 10) notes the spatial imbalance as the east coast states like Terengganu and Kelantan are '*geographically and politically marginalized from the central political and economic powers in western Peninsula Malaysia'.* This is reflected in the 1999 elections, in which the opposition parties became stronger as people become disenchanted with the dominant ruling party of BN (Henderson, 2003). Consequently, this led to the Islamic Party of PAS winning and taking control of both Terengganu and Kelantan (Salmond, 2010).

For Terengganu particularly, PAS only managed to receive the people's mandate for five years since they lost in the next election in 2004 (Election Commission of Malaysia, 2018). Although PAS managed to be elected as Terengganu's government for a relatively short time, they left quite an impression on the state especially in the sector of tourism. This is because PAS has always positioned itself in the role of the guardian of Islam and has a long-standing plan to implement the 'Islamization' of Malaysia (Henderson, 2003). Given the ambitions of PAS, it led to possible cultural conflicts between the tourists and the policies implemented since Terengganu has a larger tourist trade than Kelantan (Salmond, 2010).

The tourism policies implemented by PAS consisted of a series of reforms to combat the activities that were judged to be contrary to their interpretation of Islam (Henderson, 2003; Salmond, 2010). For example, they officially closed the pubs, karaoke outlets, gaming establishments and unisex hair salons (The Straits Times, 2002, cited in Henderson, 2003: 452). At the same time, the provision of licenses for selling alcohol were extremely restricted as the PAS government aimed to earn revenues only from religiously permissible halal sources (The Sunday Time, 2002, quoted in Henderson, 2003: 452). In addition to this, Henderson also notes that a ban was also imposed on skimpy clothing, hotel entertainers and female guides escorting groups with male participants (Henderson, 2008). In fact, there was a mooted suggestion to construct separate hotel swimming pools for men and women (Henderson, 2003).

These policies led to the move being dubbed as the ‘Islamic concept of tourism’ with these suggestions subsequently abandoned or severely modified after protests from the Federal Tourism Agency, local politicians, hoteliers and other private sector actors (Henderson, 2003; Henderson, 2008). The protests centred on the need for PAS to be realistic and not to alienate the tourists since their mooted suggestions would damage the economic importance of tourism and violate the constitutional Islamic ethos, which is generally understood as being non-imposing (Henderson, 2003). Despite the many controversies, ‘*it would be misleading to label the Terengganu government as anti-tourism’* since they are committed to the high-profile developments with international brands and companies that promote various themes of ‘*adventure and recreation, islands and beaches, local delicacies, places of interest and arts and culture’* (Henderson, 2003: 452, Salmond, 2010). This development is consistent with the intention of the PAS government to develop Terengganu in line with Islamic values and their political tagline of ‘progressing with Islam’ (Henderson, 2003).

The growing influence of the PAS led to the creation of an aggressive strategy from BN to win back Terengganu successfully in the next election (Salmond, 2010; Ahmad, 2005). With BN back in control, the tourism sector received a considerable influx of funding and on Perhentian island particularly, the destination has *‘become the flagship of tourism development in the state’* (Salmond, 2010: 13). The growing importance of tourism in Terengganu is reflected by the Chief Minister personally becoming the head of the tourism state executive council portfolio (Bernama, 2016). On the other hand, BN also strategically publicizes their investment in Islamic schools and mosques, which has helped them to retain power in Terengganu (Salmond, 2010) until the recent election held on the 9th May 2018. Seismic changes were observed in Malaysia when PH won the simple majority, which enabled it to be elected as the ruling party after 61 years of dominance from BN (New Straits Times, 2018; Election Commission of Malaysia, 2018) while at the state level of Terengganu, PAS managed to wrest the power through a majority win over BN (New Straits Times, 2018; Election Commission of Malaysia, 2018).

3.2.4 Economy

Since independence, the twin pillars of Malaysia's economy have been dominated by the two commodities of tin and rubber (Ahmad, 2005b). From 1960s onward, the shifting focus to the manufacturing economy has helped the country to expand from a commodity-based economy to become a leading exporter of electrical appliances, electric components, palm oil and natural gas (Andaya & Andaya, 2017; Ahmad, 2005b). Subsequently, from the rapid expansion of its economic activities, Malaysia has also become heavily dependent on oil and gas (National Transformation Programme Annual Report, 2017). Within this sector particularly, Malaysia benefits from Terengganu's supplies of petroleum and gas, which are the biggest contributors to the state's economy (The Star Online, 2017).

Despite the importance of the sector to the economies of Malaysia and Terengganu, there are considerable economic risks that can be attributed to the significant volatility of global oil prices and gas revenues (National Transformation Programme Annual Report, 2017). This is especially a concern for Terengganu given that 80% of the state's revenue and annual budget rely on the prices dictated by the world market (New Straits Times, 2016a). Because of this, Malaysia has looked to diversify the economy and rejuvenate the private sector while Terengganu has focussed on improving the performance of the tourism sector (National Transformation Programme Annual Report, 2017).

With the objective of strengthening the 12 different 'national key economic areas' (NKEAs) which also include tourism, Malaysia has successfully navigated its way through the regional and global economic crises (National Transformation Programme Annual Report, 2017, Andaya & Andaya, 2017). Specifically, in the context of the tourism sector, the review of its performance since the last decade has indicated statistical improvement in both aspects of tourist receipts and arrivals (Tourism Malaysia, 2018). According to Table 3.2, Malaysia has managed to produce a healthy growth of 38% from RM57.22 billion in 2007 to RM79.11 billion in 2017 (based on 2016 constant prices).

Table 3.2 – Malaysia Tourist Receipts

Year	Tourist Receipts (RM Billion)	Tourist Receipts (Based on RM Constant Prices (2016)	Tourist Receipts (£ Billion)
2007	46.07	57.22	10.23
2008	49.56	58.38	10.43
2009	53.37	62.51	11.17
2010	56.49	65.05	11.62
2011	58.32	65.09	11.63
2012	60.56	66.48	11.88
2013	65.44	70.36	12.57
2014	72.00	75.05	13.41
2015	69.21	70.66	12.63
2016	82.10	82.10	14.67
2017	82.17	79.11	14.14

Adapted from: Tourism Malaysia (2018)

In terms of the tourist arrivals, Table 3.3 illustrates a similar encouraging performance with the number increasing from 20.97 million in 2007 to 25.95 million in 2017 (Tourism Malaysia, 2018).

Table 3.3 – Malaysia Tourists Arrivals

Year	Tourist Arrivals (Million)
2007	20.97
2008	22.05
2009	23.65
2010	24.58
2011	24.71
2012	25.03
2013	25.72
2014	27.44
2015	25.72

2016	26.76
2017	25.95

Source: Tourism Malaysia (2018)

The emergence of the tourism sector as one of the top key contributors to the economy has also led to the country's average annual growth of 4 to 6 percent for the last 25 years (Andaya & Andaya, 2017). In addition to this, the gap between the country's Gross National Income (GNI) and the World Bank's high income threshold narrowed from 33% in 2010 to 20% in 2017 (National Transformation Programme Annual Report, 2017).

Consistent with the country's aspiration, Terengganu has also implemented an economic policy in which the tourism sector is central to the contribution of the state's economy (The Malaysian Reserve, 2017), currently, between 10% and 15%, and it is Terengganu's aim to further improve the percentage to 50% (The Star Online, 2017). With this in mind, it is worth noting that Terengganu's tourism sector has yet to produce substantial results as it only recorded an economic growth of 0.9% from RM4.69 billion (£837.8 million) in 2013 to RM4.73 billion (£845.3 million) in 2016 (based on 2016 constant prices), (Terengganu State Economic Planning, 2013; 2016). Despite the economic contribution, the statistic of tourists' arrivals paints a different narrative as it recorded an impressive growth with an increment of 22.5% as the number rose to 4.9 million tourists in 2016 from 4.0 million tourists in 2013 (Terengganu State Economic Planning, 2013; 2016).

Amid the overall positive economic outlook in Malaysia, people are generally still concerned about the growing income disparity between the rich and the poor (Andaya & Andaya, 2017). At the same time, predictions for the short-term future at least have been tempered somewhat considering the declining prices of commodity exports, the downturn in China and reduced investor confidence (Andaya & Andaya, 2017). Given the economic challenges, it is worth noting that the country's Gross Domestic Product (GDP) has expanded rapidly and recorded the fastest pace of growth in three years where it outpaced Malaysia's regional neighbours such as Singapore, Indonesia, South Korea and Taiwan (National

Transformation Programme Annual Report, 2017). Based on this premise, Malaysia as a country retains the aspiration to become a high-income nation and is optimistic that it can achieve first world status by 2020 with tourism remaining and will continue as an important economic growth driver (Andaya & Andaya, 2017; National Transformation Programme Annual Report, 2017).

3.3 Role of Government in Tourism

Two years after Malaysian independence in 1957, the government at that time set up the Department of Tourism under the former Ministry of Trade (Ministry of Tourism, Arts and Culture Malaysia, 2015). However, the role of that department was limited since the government focussed more on the sectors of agriculture and mining (Jaafar et al*.,* 2011). The consideration of tourism as a developmental strategy only started in 1972 with the establishment of the Malaysian Tourist Development Corporation (TDC), which was in line with the principal objectives of the sector in the country's 2nd Malaysia Plan (2MP) from 1971 to 1975 (Salmond, 2010; Ministry of Tourism, Arts and Culture Malaysia, 2015).

The responsibilities of TDC at the time were to manage the promotion of tourism abroad and tourist development, which includes the coordination with the private sector to provide and improve tourist products and facilities (Ahmad, 2005b). In the same year, the 21st Pacific Asia Travel Association (PATA) annual conference was organised in Malaysia, where it has been recognized as a platform for the country to involve itself in tourism aggressively (Jaafar et al*.,* 2011).

Subsequently, tourist arrivals grew at an average rate of 8.5% within the first 10 years of promotion overseas (Ahmad, 2005b). In terms of the development of the tourist facilities such as accommodation, transportation and other infrastructure, a significant allocation of funding was provided as they were planned and developed accordingly to the needs of the tourist regions and states within the country (Ahmad, 2005b). In 1987, the government's support for further development in tourism continued with the creation of the Ministry of Culture, Arts and Tourism, which took over the TDC's management from the previous Ministry of Trade (Salmond, 2010; Jaafar et al*.,* 2011; Ahmad, 2005b).

It is postulated that the newly created Ministry was considered crucial at the time as it has implemented many strategies to promote tourism domestically and internationally with a focus on marketing tourism and culture specifically as a combined product (Salmond, 2010; Jaafar et al., 2011). Later, in 2013, this Ministry was transformed and is currently known as the Ministry of Tourism and Culture (MOTAC) (Ministry of Tourism, Arts and Culture Malaysia, 2015).

It is important to highlight the abolishment of the Tourist Development Corporation Act 1972 and the introduction of the Malaysia Tourism Promotion Board Act 1992 (Ahmad, 2005b). The introduction of this act has subsequently led to the establishment of the Malaysia Tourism Promotion Board, commonly known as 'Tourism Malaysia' to replace the TDC (Ahmad, 2005b, Salmond, 2010). Under the new act, Tourism Malaysia was tasked to focus specifically on promoting Malaysia at both domestic and international level as its development and enforcement functions from the days of the TDC were removed (Ahmad, 2005b, Salmond, 2010). Despite the removal of the functions, it is also worth noting that increasing funds were allocated by the government in improving tourist facilities and infrastructure as well as for the beautification, cleanliness and environmental protection in every five-year Malaysia Plan (MP) from RM138 million in the 5th Malaysia Plan (5MP, 1986- 1990) to more than RM1 billion in the 8th Malaysia Plan (8MP, 2001-2005) (Ahmad, 2005b).

In addition to this, the government also allocated funds for SMEs to develop small and medium-scale tourism projects which includes construction, expansion and renovation of their budget tourism accommodation, tourist attractions and other facilities (Ahmad, 2005b). Apart from this, the government also established the National SME Development Council (NSDC) in 2004, essentially the highest policy-making body for the development of SMEs in Malaysia (SME Corporation Malaysia, 2018). Consisting of 13 ministers, as well as the Chief Secretary to the government, the Director-General of Economic Planning Unit (EPU) and the Governor of the Central Bank of Malaysia, the NSDC's main goal is to ensure the comprehensive and coordinated development of SMEs across all sectors including tourism (SME Corporation Malaysia, 2018).

Among the few achievements of the NSDC in shaping the growth of SMEs in Malaysia are: (1) setting a common definition of an SME in 2004 and redefinition in 2014; (2) establishing a periodic census for statistical updates; (3) ensuring centralised trainings for parties involved (e.g., MARA) in SME development; (4) initiating regular reporting on SME development (e.g., the SME Annual Report) and; (5) introducing new financial products including micro financing and guarantees. Besides assistance for SMTEs, the government also provides incentives such as tax and import duty exemptions as well as allowances to encourage private sector involvement in the development of tourist products and facilities (Ahmad, 2005b).

With the efforts of Tourism Malaysia to promote the country as a premier tourist destination in the region on top of the discussed government initiatives, it can be observed that today, the sector has become one of the main providers of employment as well as a key foreign exchange generator (Salmond, 2010; Ahmad et al*.,* 2014). Referring to the latest comprehensive key performance indicator provided by Tourism Malaysia (2017), among the top 10 tourist receipts received for 2017 (in rank order – based on 2016 constant prices) are presented in Table 3.4:

Table 3.4 – Top 10 Tourist Receipts Received in 2017

Rank	Country	Tourist Receipts (RM Billion)	Tourist Receipts (Based on RM Constant Prices (2016)	Tourist Receipts (£ Billion)
1	Singapore	36.95	35.57	6.36
2	China	9.05	8.71	1.56
3	Indonesia	8.48	8.16	1.45
4	Thailand	4.15	4.00	0.71
5	Brunei	3.73	3.59	0.64
6	India	2.27	2.19	0.39
7	Australia	1.69	1.63	0.29

8	United Kingdom	1.67	1.61	0.29
9	South Korea	1.57	1.51	0.27
10	Japan	1.21	1.16	0.21

Source: Tourism Malaysia (2017)

Accordingly, Singapore, China and Indonesia were the largest contributors to Malaysia's performance in international tourism. Domestic tourism is also seen as important in Malaysia, despite the focus of promotion towards the international tourism market (Salmond, 2010). In interviews with tourism officials, Salmond (2010) found that the lack of attention on marketing for domestic tourists was based on a perception that Malaysian residents would use the Malaysian tourism offer whether or not there were efforts made in this way.

Given the general positive performance outlook, it is important to bear in mind that this would not be possible without the intensity of promotional and marketing activities from the government, private sector and local communities (Ahmad et al., 2014). Specifically, local authorities such as state governments and communities have been encouraged to actively promote Malaysia's traditional advantage, namely its cultural and natural heritage (Ahmad et al., 2014). For this reason, every state in Malaysia has its own ministry that manages and organises the state's tourism sector and addresses tourism related issues (Jaafar et al., 2011). Each state has its own slogan and campaign to attract tourists so in the case of Terengganu, for instance, they used the promotion that was entitled 'Visit Beautiful Terengganu' in 2017 (Tourism Terengganu, 2017; Jaafar et al., 2011). Despite the existence of separate and individual departments in managing tourism in each state in Malaysia, these ministries collaborate with the federal government to promote Malaysia (Ahmad et al., 2014; Jaafar et al., 2011).

The continuation of this collaboration is crucial to enable the Malaysian tourism sector to remain on track, particularly in terms of achieving targets for 36 million tourist arrivals and RM104 billion (£20 billion, based on 2016's constant exchange rate) in income terms by 2020 (National Transformation Programme Annual Report, 2017).

3.4 Products of Tourism and Its' Providers in Terengganu

In Terengganu, traditions are still preserved amidst a rustic lifestyle and the rapid development and modernization (Jaafar et al*.,* 2011; Tourism Terengganu, 2014). The traditional nature of Terengganu with Kelantan and Pahang on the east coast of Peninsula Malaysia is to be expected considering that all the three states have the highest proportions of ethnic Malays or *Bumiputera* in the population relative to other states (Department of Statistics Malaysia, 2017)

In Malaysia, there is generally an extensive variety of niche tourist products that range from natural resources (beaches, islands, national parks, rainforests), exotic activities (birding, diving, angling, yachting), world-class shopping, cruises packages, golf courses and events, bike tourism, wedding and honeymoon (reception and photoshoot at various settings of urban, resort, beach and hillside) to homestay tourism (experience life at *kampung* or traditional village) (Tourism Malaysia, 2018).

Terengganu is different from other states as it is home to a diverse and close-knit society, where people are hospitable, with strong morals and values (Tourism Terengganu, 2014). Terengganu is blessed with stunning natural beauty (islands, beaches, hill resorts and national parks), traditional activities like kite flying and eco-tourism-related activities such as scuba diving and snorkeling (Jaafar et al., 2011) (see Figure 3.3).

In addition to the mentioned tourist products, Terengganu is also known culturally for having many of Malaysia's leading craftsmen and artisans in *songket*, *batik*, brass, boat building, wood carving and traditional carpentry. According to Tourism Terengganu (2017), the boat builders at *Pulau Duyong* are world famous in crafting boats by hand without using any blueprints and nails.

Figure 3.3 – Places of Attractions in Terengganu

Rhu Renggeh Beach

Perhentian Island

Setiu Wetland

Main City of Kuala Terengganu

Source: Author

The brass industry in Terengganu has a 300-year history and region was once regarded as the country’s top producer of brass products. *Batik* is synonymous with Terengganu’s identity as Malaysia’s top producer. Apart from the handicrafts products, Terengganu is also culturally blessed with varieties of highly popular traditional cuisine such as *nasi dagang* (considered as state dish, made of steamed glutinous rice eaten with a tuna fish curry), *keropok lekor* (fish sausage) and *sata* (a type of fish paté). Figure 3.4 presents pictures of some of the handicraft products and traditional foods in Terengganu. Reviewing the tourist products of Terengganu, it can be postulated that handicrafts and restaurants are pivotal in supplying the demands for the tourism market considering the importance of cultural crafts and foods as part of the state’s identity.

Figure 3.4 – Handicrafts and Food Products in Terengganu

Batik

Brass Products

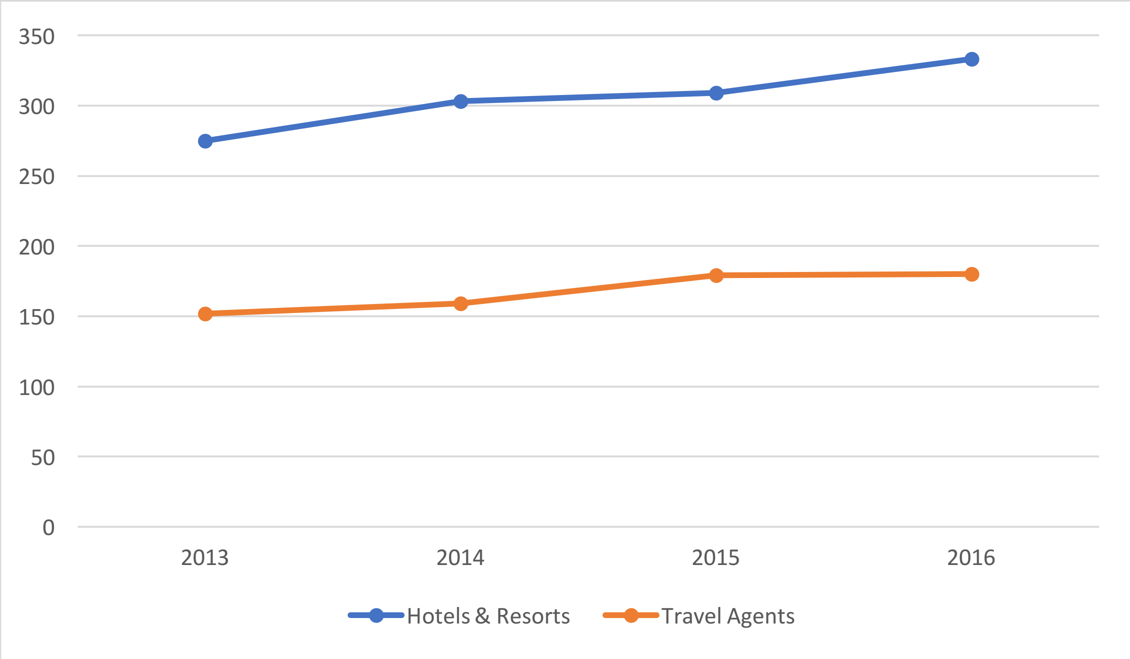
Nasi Dagang

Keropok Lekor

Source: Tourism Terengganu (2017)

This is particularly crucial considering the number of tourist arrivals and receipts are projected to increase in the coming years (see section 3.3). Besides the handicrafts and restaurants, hotels and travel agencies are also crucial components of tourism in Terengganu. Their importance is exhibited by the increasing number of businesses within the region (see Figure 3.5). Looking at the accommodation sub-sector, for instance, it is reported that the number of hotels and resorts based on the Annual Report of Terengganu Basic Data (2013 to 2016) by Terengganu State Economic Planning presented an increase of 21% from 275 in 2013 to 333 in 2016. This is also the case with travel agencies where there was a growth of travel agents to 180 in 2016, an increase of 18.4% from 152 in 2013.

Figure 3.5 – Number of Hotels and Resorts and Tourist Agents From 2013 to 2016



Source: Annual Report of Terengganu Basic Data 2013 – 2016 by Terengganu State Economic Planning

Considering the overall positive statistic of the development of hotels and resorts and travel agencies as well as the importance of restaurants and handicrafts as representatives of Terengganu's core cultural identity provides the justification for including all four of them in the current study.

3.5 Summary

The complexities and uniqueness of the overall connection between the cultures, ethnicities, policies, role of government and the strong performance of the tourism economy in Malaysia have provided a strong justification for the selection of Terengganu as the research setting in the present research. This is particularly important considering that the intricacies of direct and indirect relations between these contextual dimensions would be able to provide a richer and more novel understanding of the; (1) characteristics of entrepreneurs and SMTEs, (2) attributes of the networks adopted by the SMTEs entrepreneurs, and (3) the movement of the knowledge.

As for the justification on the selection of different types of tourism establishments of hotels and resorts, travel agencies, restaurants and handicrafts, this can be linked to the characteristics of the tourism products in Terengganu itself. The importance of cultural-based products as well as the heightened need to provide competent facilities and services has further reified the direction of present study to include all four of them in providing the inter-sectoral comparison and comprehensive understanding of the SMTEs in Terengganu.

Overall, it can be concluded that the research setting of Terengganu provides a good location for assessing the potential empirical connection between the characteristics of entrepreneurs and SMTEs, networks, absorptive capacity and business performance. In the next chapter, the methodology adopted in the current study is discussed.

CHAPTER 4
RESEARCH METHODOLOGY

4.1 Introduction

It is the aim of the current chapter to provide a comprehensive review of the methodology and research design that have been selected for this study. To achieve this aim, the discussions on the methodology in this chapter are based on these four main frameworks of philosophical assumptions, systematic review, research objectives and research design. Accordingly, the chapter is structured as follows. First, it is imperative to start with the philosophical underpinnings of this study as these represent the perspective of the researcher in exploring and examining the phenomenon of SMTE entrepreneurs' networking. Subsequently, a review of the methodologies adopted by the papers listed in the systematic review is reported based on the premise of the research objectives of the current study. The review provides the basis for the methods to be applied in the case study in Terengganu. Then, the research design is presented – scoping out the methods applied, including the design of instruments to collect data. Analytical methods are then discussed and the chapter ends with a discussion on the research ethics.

4.2 Philosophical Underpinnings

It is important in any study to consider the philosophical underpinnings of the research. Guba and Lincoln (1994: 105) define a research paradigm *'as the basic belief system or world view that guides the investigation, not only in choices of method but in ontologically and epistemologically fundamental ways*'. In establishing the ontological and epistemological positioning, it is important to understand that the essence of this study involves the behaviour and activities of human beings that are concerned with the nature of reality in the social world. To understand this reality, Table 4.1 presents the comparisons between the four research paradigms of postpositivism, constructivism, transformative and pragmatism in relation to both elements of ontology and epistemology.

Table 4.1 – Management Research Paradigms

	Postpositivist	Constructivist	Transformative	Pragmatic
Ontology	One reality; knowable within a specified level of probability.	Multiple, socially constructed realities.	Rejects cultural relativism; recognizes that various versions of reality are based on social positioning; conscious recognition of consequences of privileging versions of reality.	Asserts that there is a single reality and that all individuals have their own unique interpretation of reality.
Epistemology	Objectivity is important; the researcher manipulates and observes in a dispassionate, objective manner.	Interactive link between researcher and participants; values are made explicit; created findings.	Interactive link between researcher and participants; knowledge is socially and historically situated; need to address issues of power and trust.	Relationships in research are determined by what the researcher deems appropriate to the particular study.

Source: Mertens (2010)

After careful consideration of all the paradigms in Table 4.1, it was decided that the adoption of a pragmatic perspective would be the best fit for the current research given the context. Pragmatism is mainly about ‘workable applications’ or solutions to problems (Patton, 1990). There are basically many forms of this belief but the majority of the scholars have opined that pragmatism is a worldview born out of actions, situations and consequences rather than causal conditions that can be seen in a postpositivist perspective (Cresswell & Cresswell, 2018). In particular, it needs to be understood that the emphasis of pragmatism is on the research problem in social science and the use of pluralistic approaches to derive knowledge and understand about the problem (Cresswell & Cresswell, 2018). For this reason, pragmatism is known as an underpinning worldview for mixed-method studies (Tashakkori &Teddlie, 2010; Patton, 1990).

This is different from the methodological underpinnings of other paradigms illustrated in Table 4.1. For example, the understanding of truth for post positivists is based on probability rather than certainty whilst at the same time agreeing to the concepts of objectivity and generalisability of quantitative approach (Mertens, 2010). However, this may lead to the subjectivities and rich insights within the social world of business and management reduced entirely to a series of truths based on probability which is only presented in numerical terms (Cresswell & Creswell, 2018; Coviello & Jones, 2004). Therefore, constructivists address this issue by appreciating the subjective understanding of their experiences where the researcher looks for the complexity of perspectives rather than the narrow numerical meanings of a few categories or ideas (Cresswell & Cresswell, 2018). Based on this understanding, constructivists share similar methodological underpinnings with the transformative group of researchers on the application of qualitative approach. Nevertheless, a transformative belief is different from the constructivist as it is principally based on research inquiry that is intertwined with politics and political change agenda to face social oppression at any level (Mertens, 2010).

Given the distinctive belief and deficiency in terms of objectivity or subjectivity that can be linked with each respective paradigm, the adoption of the pragmatic worldview in this study is further justified as it offers; (1) the flexibility or freedom of choice for the researcher to choose the methods or techniques that best meet the needs and purposes of the current work, (2) drawing and liberal mixing of both quantitative and qualitative approaches (Cresswell & Cresswell, 2018). Hence, a pragmatic worldview enables a researcher to apply both objectivity and subjectivity in analysing the interlinkages between the characteristics of entrepreneurs and SMTEs, networks, absorptive capacity and business performance. In other words, the pragmatic worldview would fulfil the need for the breadth and depth of knowledge in understanding these interlinkages. This can be achieved through the combinations of quantitative and qualitative data interpretations through the implementation of a mixed methods approach, which provides real and rich information on the representative respondents. Further discussions on how the current research approached this combination through the application of mixed methods can be seen in section 4.4 as the next part of this chapter will firstly focus on the results of the systematic review on methodology.

4.3 Systematic Review of Methodological Approaches

The main reason for the employment of systematic review of the methodology was to identify which was the main methodological approach chosen by the scholars within the area of interest for this study. Table 4.2 presents the results of a systematic review of the methodology in the area of the characteristics of entrepreneurs and SMTEs. It was identified that most of the scholars have adopted the quantitative method (26 papers) compared to the qualitative (3 papers) and mixed-methods (6 papers). In addition to this, it is also interesting to note that 22 out of 35 papers examine the accommodation sub-sector while the restaurants and food sub-sector is in a distant second place with 11 papers. This is then followed by handicrafts with 6 papers and travel agencies with 4 papers.

As for the area of networks, absorptive capacity and business performance, Table 4.3 shows the systematic review of their methodology in the both setting of both SMTEs and mixed sizes of tourism operators. In contrast with the results from Table 4.2, the majority of the papers in Table 4.3 adopted the qualitative techniques (14 papers) as compared to quantitative (13 papers).

Obviously, there is a lack of implementation or adoption of the mixed-methods (8 papers) among the researchers in the field of networks, absorptive capacity and business performance of SMTEs. In terms of the research settings, accommodation was once again preferred in most of the papers listed in the systematic review depicted in Table 4.3. This was despite the greater diversification of the settings compared to the papers illustrated in Table 4.2, which include the visitor information, museums, meetings, incentive, conventions, and exhibitions (MICE), wellness, historic buildings and festivals.

Table 4.2 – Systematic Review of Methodology for Papers of Characteristics of Entrepreneurs and SMTEs from 1980 to 2018.

SMTEs									
No	**Author**	**Year**	**Methodology**				**Quantitative**	**Qualitative**	**Mixed Method**
			Industry	**Location**	**Sample Size**	**Respondent**			
1	Stallibras	1980	Accommodation	England	566	Owners	✓	X	X
2	Shaw & Williams	1987	Accommodation	England	81	Owners	✓	X	X
3	Williams et al.	1989	Accommodation & café/restaurants	England	411	Entrepreneurs	✓	X	X
4	Glancey & Pettigrew	1997	Accommodation	Scotland	6 (qual); 20 (quant)	Owners/managers	X	X	✓
5	Kontogeorgopoulos	1998	Accommodation	Thailand	126	Owners/managers	X	X	✓
6	Page et al.	1999	Accommodation, café & restaurants, other operating eating establishments	New Zealand	297	Director, manager, owner, employees	✓	X	X
7	Getz & Carlsen	2000	Accommodation	Australia	198	Owners/managers	X	X	✓
8	Ozer & Yamak	2000	Accommodation	Turkey	101	Owners/managers	✓	X	X

9	Szivas	2001	Accommodation, catering and wider spectrum of tourism establishments	England	106	Entrepreneurs & tourism employees	✓	X	X
10	Andriotis	2002	Accommodation	Greece	52	Owners/managers	✓	X	X
11	Avcikurt	2003	Hotels	Turkey	30	SMHE representatives	✓	X	X
12	Morrison & Teixeira	2004	Accommodation	Scotland	22	Owners/managers & employed managers	X	✓	X
13	Getz & Petersen	2005	Accommodation, restaurant, attraction, art/craft, recreation, retail, tour service, other	Canada & Denmark	184	SMTE owners	✓	X	X
14	Petrou & Daskalopoulou	2009	Low tech SMTEs	Greece	95	SME representatives	✓	X	X
15	Valentina & Passiante	2009	Hotels, residences, tourist villages, guest houses, museums,	Austria, Ireland & Holland	129	SME representatives	✓	X	X

			historic buildings & restaurants						
16	Lashley & Rowson	2010	Accommodation	England	120	Owners/managers	X	✓	X
17	Prajapati & Biswas	2010	Handicrafts	India	148	Entrepreneurs	✓	X	X
18	Abdul-Halim et al.	2011	Handicrafts	Malaysia	105	Entrepreneurs	✓	X	X
19	Jaafar et al.	2011	Hotels	Malaysia	137 (quant); 18 (qual)	SMHE owners/managers	X	X	✓
20	de Klerk & Saayman	2012	Festival	South Africa	137	Festival entrepreneurs	✓	X	X
21	Chen & Elston	2013	Restaurants	China	240	Restaurant owners/managers	✓	X	X
22	Eravia et al.	2014	Food industries and restaurants	Indonesia	110	Entrepreneurs	✓	X	X
23	Umeze & Ohen	2014	Restaurants	Nigeria	132	Entrepreneurs	✓	X	X
24	Tsai et al.	2014	Hotels & travel agencies	Taiwan	246	Owner, General Manager, Assistant General Manager, Departmental Manager	✓	X	X
25	Ahmad	2015	Hotels	United Arab Emirates	115 (quant);	SMTE owners	X	X	✓

					19 (qual)				
26	Costa et al.	2015	Travel agencies, tour operators & accommodation sector	Brazil	311	Entrepreneurs	✓	X	X
27	Lee et al.	2016	Restaurants	Australia	198	Owners	✓	X	X
28	Diaz-Chao et al.	2016	Travel agencies	Spain	120	Owners	✓	X	X
29	Gautam	2016	Handicrafts	Nepal	161	Entrepreneurs	✓	X	X
30	Raihani et al.	2016	Handicrafts	Malaysia	31	Entrepreneurs	✓	X	X
31	Mitra & Paul	2017	Handicrafts	India	40	Entrepreneurs	✓	X	X
32	Sitabutr & Pimdee	2017	Handicrafts & food sectors	Thailand	500	Entrepreneurs	✓	X	X
33	Sun & Xu	2017	Guesthouses, restaurants, coffee shops & others	China	30	Entrepreneurs	X	✓	X
34	Korze & Lebe	2017	Hotels	Slovenia	62 (qual); 44 (quant)	Entrepreneurs	X	X	✓
35	Wang	2018	Guesthouses	China	154	Owners	✓	X	X
						TOTAL PAPERS	26	3	6

Source: Author

Table 4.3 – Systematic Review of Methodology for Papers of Networks, Absorptive Capacity and Business Performance of Mixed Sizes Key Operators in Tourism from 1997 to 2018

SMTEs									
No	**Author**	**Year**	**Methodology**				**Quantitative**	**Qualitative**	**Mixed Method**
			Industry	**Location**	**Sample Size**	**Respondent**			
1	Pavlovich	2003	Caving industry, accommodation, visitor information, restaurants & supporting activities	New Zealand	12	Owner-managers, management, employees & community members	X	✓	X
2	Novelli et al.	2006	SMTEs (not specified)	England	53	Entrepreneurs	X	✓	X
3	Brunetto & Farr-Wharton	2007	Food & beverages, tourism, building, training, manufacturing, business services, health, other	Australia	10 (qual); 158 (quant)	Owner-manager	X	X	✓

4	Petrou & Daskapolou	2009	Tourist agencies, hotels & restaurants	Greece	95	Owner-manager	✓	X	X
5	Valentina & Passiante	2009	Hotels, residences, touristy villages, guest houses, museums, historic buildings & restaurants	Austria, Ireland & Holland	129	SME representatives	✓	X	X
6	Copp & Ivy	2009	Lodgings & travel agencies	Slovakia	80	SMEs representatives	✓	X	X
7	Paget et al.	2010	Meetings, incentive, conventions, and exhibitions (MICE)	France	34	Management of the SME & key actors in the environment of the SME	X	✓	X
8	Romeiro & Costa	2010	Hospitality & restaurants	Spain	44	Representatives of the firms	✓	X	X
9	Kokkranikal & Morrison	2011	Resort	India	7	Key representatives of eco-heritage resort in Kerala	X	✓	X
10	de Klerk & Saayman	2012	Festival	South Africa	137	Festival entrepreneurs	✓	X	X

11	Fuglsang & Eide	2012	Private companies & public authorities	Denmark & Norway	9	Key informants of the network	X	✓	X
12	Herath & Mahmood	2014	Hotels & restaurants	Sri Lanka	380	SME representatives	✓	X	X
13	Czernek	2017	Complementary services, tourist attractions, souvenirs, inbound tourism intermediaries and catering firms	Poland	63	Representatives from public and private sectors, mayors	X	✓	X
14	Otengei et al.	2017	Restaurants	Burundi, Kenya, Rwanda, Tanzania & Uganda	10	Owners-managers	X	✓	X
Mixed-Sizes Key Operators in Tourism									
1	Ingram & Baum	1997	Transient Hotels	United States	537	Archival data	✓	X	X
2	Money	2000	Durable & nondurable travel goods and services	United States & Japan	48	Employees	X	✓	X

3	Tyler & Dinan	2001	government, tourism professional & trade groups	England	76 (qual), 44 (quant)	Representatives of public and private firms	X	X	✓
4	Sorensen	2007	Hospitality, attraction & campsite	Spain	34	Directors, managers or other centrally positioned administrators	X	✓	X
5	Timur & Getz	2008	Community, private firms & community	Canada & United States	38 (qual); 173 (quant)	Local DMOs, managers of hotels, tourist attractions, conference & convention centres & government agents	X	X	✓
6	Cooper, Scott & Baggio	2009	Private companies & public authorities	Australia	22	Key representatives of the organisation	X	✓	X
7	Erkus-Ozturk	2009	Hotels, boutiques, tourism enterprises, holiday villages, travel agencies,	Turkey	335	Representatives of tourism firms	X	X	✓

			tour operators & airline firms						
8	Lemmetyinen	2009	Cruise	Finland, Sweden, Germany, Denmark, Poland, Estonia, Latvia, Lithuania, Russia & Norway	22	Key representatives of the organisation in each destination	X	✓	X
9	Denicolai, Cioccarelli & Zucchella	2010	Hotels, restaurants, travel agencies, public institutions and other institutions	Italy	23 (qual); 114 (quant)	Opinion leaders & key operators	X	X	✓
10	McLeod, Vaughan & Edwards	2010	Hotels, guesthouses, bed and breakfast, catering, campsites and attractions	England	200	Firm's representatives	✓	X	X
11	Presenza & Cipollina	2010	Hospitality	Italy	200	Representatives of hospitality firms	✓	X	X

12	Beritelli	2011	Private companies & public authorities	European Alps	42	Prominent Actors	X	✓	X
13	Luthe, Wyss & Schuckert	2012	Accommodation, gastronomy, entertainment, transport, activities, information, public, NGOs	Switzerland	71	Representatives of public and private firms in Gotthard region	✓	X	X
14	Strobl & Peters	2013	Hospitality, lift operators, ski rentals, wellness, restaurants, cableway, travel agencies, sports shops	Austria	30	Mayors, entrepreneurs, members of DMOs	X	✓	X
15	Hazra, Fletcher & Wilkes	2014	Public authorities & public firms	Portugal	1 (qual); 46 (quant)	Key stakeholders in network of Peneda-Geres National Park	X	X	✓
16	Noguiero & Pinho	2014	Hotels, restaurants, tour operators, travel agents, public & private	India	34	Representatives of commercial and non-commercial tourism firms	X	✓	X

			authorities, tour guides						
17	Thomas & Wood	2014	Hotel	United Kingdom	259	CEOs, directors or owners, general managers or senior managers & heads of department or middle managers	X	X	✓
18	Thomas & Wood	2015	Meetings	Africa/Middle East, Asia Pacific, Latin America, Europe & North America	208	CEOs, directors or owners, general managers or senior managers & heads of department or middle managers	X	X	✓
19	Liu	2018	Cultural & creative	Taiwan	432	Owners or managers	✓	X	X
20	Nieves-Diaz & Meneses	2018	Hotel	Spain	134	Hotel managers	✓	X	X
						TOTAL PAPERS	13	14	8

Source: Author

With regards to the locations of the research settings, which have been summarised in Table 4.4 from the results of the systematic review in Table 4.2 and Table 4.3, it can be clearly seen that the location which was the focus for the majority of studies was Europe with 37 papers. This was then followed by Asia with 19 papers, Oceania with 8 papers, the Americas with 7 papers and finally Africa with 4 papers. This pattern is interesting in the sense that Asia is not far behind Europe in terms of the past research conducted within the field of tourism entrepreneurship and networks, absorptive capacity as well as the business performance of the SMTEs.

Table 4.4 – Location of the Research Settings in the Systematic Review of Characteristics of Entrepreneurs and SMTEs, Networks, Knowledge Transfer and Knowledge Absorption and Performance from 1980-2018

Location of the Research Settings	**Number of Papers**
Europe	37
Asia	19
Africa	4
Oceania	8
Americas	7

Source: Author. Note: There are some studies that are listed more than once in the table since the setting of the studies consisted of countries situated in different continents

In terms of the timeline of the listed papers in Tables 4.2 and 4.3, it is notable that the start dates of the systematic review are different from each other (the start date for Table 4.2 is 1980 and for Table 4.3, it is 1997). This is because all the systematic reviews within this chapter are based on the extensions of the methodology of the same papers presented in the previous systematic review in Chapter 2 (see Tables 2.1 & 2.7). Hence, the explanation for the difference in the start dates of each systematic review is similar in the context that the conceptualizations of the relationships between networks and absorptive capacity within tourism specifically are still in their infancy compared to the well-researched concept of characteristics of

SMTEs and entrepreneurs. All things considered, the trends over time clearly show that most of the researchers applied either quantitative or qualitative methods as compared to the mixed methods in analysing the issues discussed in this research field. The next section describes the methodology chosen for this research.

4.4 The Adoption of Mixed-methods

Reviewing the results of the systematic review presented in Table 4.2 and Table 4.3, the quantitative method is clearly preferred by scholars in analysing the characteristics of entrepreneurs and SMTEs, networks, absorptive capacity and business performance. This is in line with the notions that there is increasing application of quantitative research in addressing the emergence of new variables and destinations, particularly in the area of tourism as the sector goes through the phase of rapid global expansion (Custodio, 2014). In fact, Dwyer et al. (2012) noticed that the stakeholders and destination managers give more attention to research that is quantitative in nature.

Despite this preference, Wright and Crimp (2000) believe that there are more advantages that can be gained by using both quantitative and qualitative approaches as they can add further value to the research. This particular approach is also known as the mixed-methods and the '*third methodological movement*' (Tashakkori & Teddlie, 2003: 5). Basically, mixed-methods can be defined as '*the class of research where the researcher mixes or combines quantitative and qualitative research techniques, methods, approaches, concepts or language into a single study*' (Johnson & Onwuegbuzie, 2004: 17), while Cresswell and Clarke (2010: 3) simply define mixed-methods as a combination of '*qualitative and quantitative approaches in the methodology of a study*'.

With mixed-methods, the data collection process can avoid any biases associated with specific methods as it incorporates several research approaches into the research methodology and subsequently compensates for any weaknesses of one approach with the strengths of the other approach (Stavros & Westberg, 2009; Dahlstrom, Nygaard & Crosno, 2008; Sekaran, 2003).

For example, the advantage of the questionnaire technique is that it allows information to be gathered from a large number of participants, and that the data analysis and the outcomes can be presented in numerical terms, whereas the interview method will help in the in-depth exploration of certain issues (Coviello & Jones, 2004). These advantages have led to the utilisation of mixed-methods in other similar studies of small businesses in the hospitality and tourism sector (Ahmad, 2015) despite the prior results of the systematic review. In the context of the present study, the scope of the proposed theories was not linear considering the different elements from the characteristics of entrepreneurs and SMTEs, networks, absorptive capacity to the business performance.

For this reason, the adoption of a pragmatic research paradigm in the current study through the implementation of mixed-method is crucial for the purpose of cohesion and continuity (see Section 4.2). This is because the application of mixed-methods is extremely helpful in exploring the phenomenon of networking and absorptive capacity through the development of research instruments that will be tested in overcoming the weaknesses of a single design (quantitative or qualitative). Therefore, adopting the mixed-method methodology for the current thesis requires a multi-phase and complex design of methodology owing to the many different areas at work in answering all the research objectives. Basically, these different areas at work within the research objectives can be arranged into four distinctive strands, which comprise:

1. Characteristics of entrepreneurs and SMTEs.
2. Characteristics of formal and informal networks.
3. Characteristics of entrepreneurs and SMTEs and importance of formal and informal networks in SMTEs learning.
4. Formal and informal networks, absorptive capacity and SMTEs.

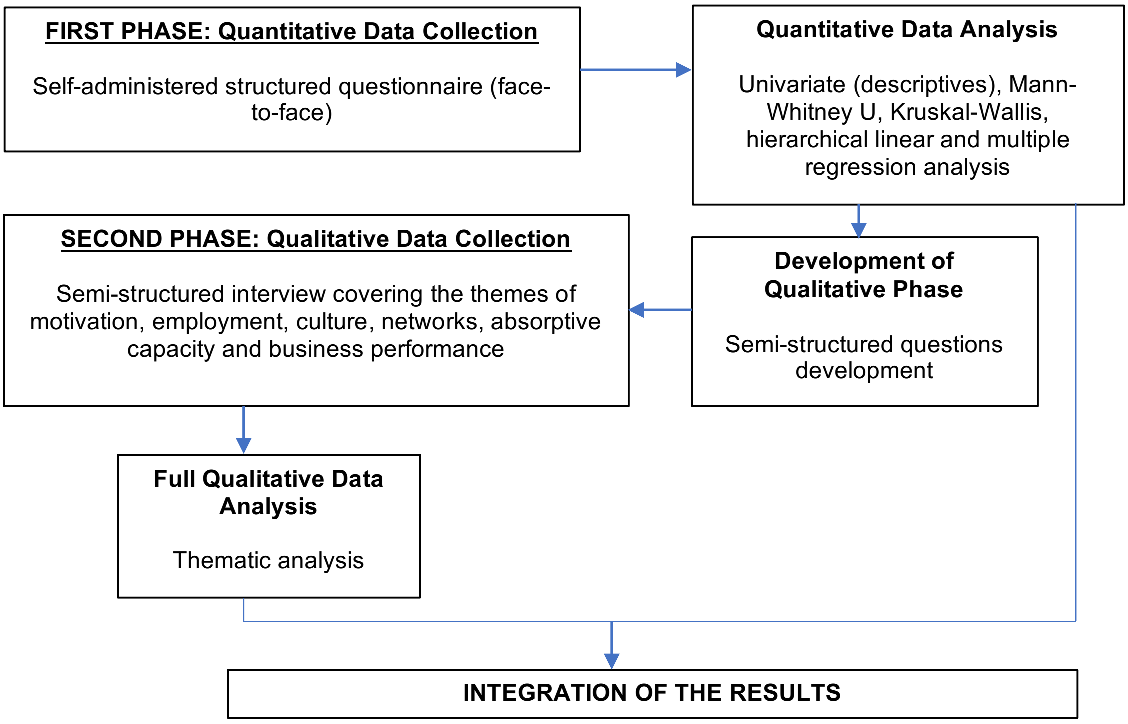
The first two strands (characteristics of entrepreneurs and SMTEs and characteristics of formal and informal networks) are traditional in the sense that they provide the context of the research setting itself by exploring the profile, culture, motivation and employment as well as the network size, strength, trust and frequency of communication. The innovative components of the present research come from the work in the following third and fourth strands, which concern the relations between different variables of characteristics of entrepreneurs and SMTEs, importance of formal and informal networks in SMTE learning, formal and informal networks, absorptive capacity and business performance. These strands are considered innovative as there is yet to be any research that analyses the process of absorbing the knowledge from the networks of entrepreneurs, and how the importance of these networks are characterised especially within the unique cultural setting of the tourism sector in Terengganu.

The shifting of the research focus from the fundamental variables of characteristics of entrepreneurs and SMTEs to the networks, and from the networks to the absorptive capacity, and finally from the absorptive capacity to business performance have made the present study very demanding and challenging from the view of methodology. Despite this, all the strands derived from the research objectives are linked by the same unit of analysis of entrepreneur and SMTE. Based on this premise, the layout of the research phases can be mapped out accordingly through the pragmatic worldview as the entrepreneur and SMTE is the main axis that connects all the elements in this study. Overall, there are two research phases, which will be further explained in the next section of research design.

4.5 Research Design

Fundamentally, research design is very crucial as it represents the ‘master plan’, direction or general procedures that need to be carried out in completing the research efficiently (Hair et al., 2007; Miles & Huberman, 2004). For this reason, the framework of the data collection and data analysis through the proposed research design must be able to reflect a thorough understanding all the important elements in the current study and present a cohesive flow of work in addressing all the research objectives.

Figure 4.1 - Research Process



Source: Author

With this in mind, the above Figure 4.1 presents the overall research process that was undertaken to answer the research objectives. Based on the alternatives of the multi-method design matrix proposed by Johnson and Onwuegbuzie (2004), both data collection methods can be considered as equally important, or one can be more dominant (see Figure 4.2). Basically, the mixed-method design in the form of sequential was chosen as the results from the first phase of the quantitative data collection were used to assist and inform the construction of the semi-structured questions of the second phase of data collection (see Figure 4.1). This step is necessary to supplement the systematic measure of the research contextual settings as well as the influence of absorptive capacity of SMTEs from the entrepreneurs' activity of networking on the business performance with further explanation and in-depth analysis of the qualitative data. Hence, in terms of the research strands and variables, they are equally covered and emphasised in all the methodological phases.

Figure 4.2 - Four Cells of Mixed-methods Design Matrix

		Time Order Decision	
		Concurrent	Sequential
Paradigm Emphasis Decision	Equal Status	QUAL + QUANT	QUAL → QUANT QUANT → QUAL
	Dominant Status	QUAL + quant QUANT + qual	QUAL → quant qual → quant QUANT → qual quant → qual

Source: Johnson & Onwuegbuzie (2004). Note: “qual” stands for qualitative, “quant” stands for quantitative, “+” stands for concurrent, “→” stands for sequential, capital letters denote high priority or weight, and lower case letter denotes lower priority or weight.

This means that both phases of data collection are considered as having an equal paradigm emphasis decision (quant → qual; see Figure 4.2). Ultimately, both results of quantitative and qualitative were integrated and converged which led to the designation of the final research model which is used to conclude the current research (see Figure 9.3 in Chapter 9).

4.5.1 Quantitative Survey Design

The questions in the questionnaire for the first phase of the data collection were adapted from the studies of Fernandez-Perez et al. (2013), Ahmad (2005b), McLeod (2010), Thomas and Wood (2014, 2015) and Flatten et al. (2011). The following Table 4.5 presents the list of reference(s) and adaptation(s) for each of the research variable in the current study.

Table 4.5 – Sources of Validated Questions from Studies for Quantitative Survey

Variable Questions	Sources
Networks (Formal & Informal)	Adapted from Fernandez-Perez et al. (2013), Ahmad (2005b), McLeod (2010).
Absorptive Capacity	Adapted from Thomas & Wood (2014, 2015).
Business Performance	Adapted from Flatten et al. (2011), the Central Bank of Malaysia (2013).

Source: Author

For variables relating to attitudes towards and use of networks, the questions from Fernandez-Perez et al. (2013) were chosen due to the format of the quantitative questions in measuring the variables' dimensions of size, trust, frequency of communication and strength. Adding to this, questions relating to the classification or differentiation of the use of formal and informal networks and the arrangements of their respective contacts within the scope of Malaysia were adapted from McLeod (2010) and Ahmad (2005b). In the context of absorptive capacity, Thomas and Wood (2014, 2015) provided the basis for questions, in the absence of any other notable quantitative studies in tourism that can be used for the current research. Furthermore, the format and direction of the questions utilised in the works of Thomas and Wood (2014, 2015) in tourism were considered as the best fit for the current research in terms of theoretical framework, scope and context.

As for the measurement of business performance, the two dimensions of financial performance (annual sales turnover) and non-financial performance (business management) were adapted in the questionnaire (see section 2.14 in Chapter 2). The question for the financial measurement of business performance was designed based on the work by the Central Bank of Malaysia (2013) on the sales turnover for SMEs in the services and other sectors. On the other hand, Flatten et al.'s (2011) study was chosen for the designation of the questions on non-financial performance since their work fit the context in terms of connecting absorptive capacity and business performance, albeit with more emphasis placed on the improvement of business management. This decision was taken since the current study also included the financial measurement of business performance in the shape of SMTEs' annual sales turnover. The inclusion of both aspects of measurement (financial and non-financial) represented a more comprehensive perspective on business performance as a dependent variable of the current study.

Reviewing the structure of the questionnaire, there are 8 sub-sections which can be aggregated into 4 main sections of (1) characteristics of networks (formal and informal); (2) absorptive capacity; (3) SMTE performance; and (4) characteristics of entrepreneurs and SMTEs. There are in total 33 main questions with 78 sub-questions that were answered by the SMTE entrepreneurs in Terengganu (Figure 4.3). The first four main questions (Q1-Q4) were asked about the importance of formal and informal networks in SMTEs learning as well as their sizes, frequency of communication and trust. In line with the approach employed by Fernandez-Perez et al. (2013), the dimension of strength was measured as an index measuring the frequency of communication and trust in the relationship.

Figure 4.3 – Structure of the Questions of Questionnaire

Networking *(4 main questions & 32 sub-questions)*

↓

Absorptive Capacity *(9 main questions; 41 sub-questions)*

- Acquiring Knowledge *(3 main questions; 11 sub-questions)*
- Assimilation of External Knowledge *(2 main questions; 11 sub-questions)*
- Transformation of Knowledge *(2 main questions; 11 sub-questions)*
- Exploitation of Knowledge *(2 main questions; 8 sub-questions)*

↓

Performance of the Business *(2 main questions; 5 sub-questions)*

↓

The Profile of Entrepreneurs and Their SMTEs *(18 main questions)*

- Characteristics of Entrepreneurs *(10 main questions)*
- Characteristics of SMTEs *(8 main questions)*

Source: Author

The following 9 main questions (Q5-Q13) with 41 sub-questions concern the measurement of four dimensions of absorptive capacity of the entrepreneurs and their SMTEs, which comprise the dimensions of ‘acquisition’, ‘assimilation’, ‘transformation’ and ‘exploitation’ of knowledge. Q14 is about the influence of the business knowledge gained from the network towards the SMTE performance (business management) in terms of products and services, customer retention and the growth of the business. As for Q15 to Q24, they are designed to understand the characteristics of the entrepreneurs that participated in the current study. The next 8 questions (Q25-Q32) in the sub-section of the characteristics of SMTEs are about the years in the business, business plan and capital, employees and the annual sales turnover. The final Q33 is about the willingness of the participating entrepreneurs in this phase of data collection to be involved in the following phase of the semi-structured interview (see **Appendix 3** for the full survey).

4.5.2 Interview Questions Design

Basically, there are 20 questions of semi-structured interviews that are aggregated into 3 main groups of (1) open questions, (2) characteristics of networking and knowledge absorption (3) impacts of network and absorptive capacity on business performance. Specifically, some of the questions listed under these 3 main groups were adapted from the work of Ahmad (2005b) while the rest of the questions were formed based on the results and line of questioning from the prior first phase of the quantitative data analysis. From the completion of the preliminary quantitative analysis, the researcher decided to proceed with almost all the questions of the semi-structured interview that were predetermined prior to the start of the field work. This decision was made based on the pattern or direction of the answers provided by the business owners in the questionnaire, where the predetermined questions were coherent and sufficient in meeting the aim of this qualitative phase of data collection. In other words, there were only a minimum or few alterations to reinforce the adequacy of the questions for the semi-structured interview in the second phase.

For better understanding, the flow and composition of these groups and questions are illustrated in Figure 4.4 while the full version of the questions of the semi-structured interview can be seen in **Appendix 4**.

Figure 4.4 - Structure of the Questions of Semi-Structured Interview

Networking *(4 main questions & 32 sub-questions)*

↓

Absorptive Capacity *(9 main questions; 41 sub-questions)*

- Acquiring Knowledge *(3 main questions; 11 sub-questions)*
- Assimilation of External Knowledge *(2 main questions; 11 sub-questions)*
- Transformation of Knowledge *(2 main questions; 11 sub-questions)*
- Exploitation of Knowledge *(2 main questions; 8 sub-questions)*

↓

Performance of the Business *(2 main questions; 5 sub-questions)*

↓

The Profile of Entrepreneurs and Their SMTEs *(18 main questions)*

- Characteristics of Entrepreneurs *(10 main questions)*
- Characteristics of SMTEs *(8 main questions)*

Source: Author

For the first group of open questions, Q1 to Q3 asked about the profile of the business and the motivation of the entrepreneur in starting up their SMTE, running the operation and sustaining the business up to that point in time. The next cohort of questions (Q4-Q11) in the group of characteristics of networking and networking focuses on the networking activity with the key people, agency or association that may have helped improve the business management and influence the business decision of the SMTEs. Besides that, the questions also explore the motivation and the risks that the entrepreneurs were willing to take in involving themselves in the networking activity. The questions (Q12-Q20) in the last group of the impacts of network and absorptive capacity on business performance looked to explore the process where the knowledge gained from the networking activity influenced the organisational processes, products and services of the SMTEs.

4.5.3 Pilot Study

Prior to the field research, a pilot study was conducted to ensure the feasibility of the data collection and adequacy of the research instruments. Given the context of the research, it was highly important that all the questions in the questionnaire and semi-structured interviews were in the two languages of English and Malay. Since all the questions were developed in English, they were subjected to the process of translation by the researcher and validation by pilot studies. For the English version, particularly, it needs to be highlighted that all the questions were adapted from the previous empirically tested scales to provide the necessary content validity.

In terms of translating the questions in the questionnaire and all the questions in the semi-structured interview, the researcher was qualified to do it since he is a Malay and has been living in Terengganu for more than 20 years and is well-versed in the local culture and language. Prior to this process, the initial English version was checked with the supervisory team to ensure all the concepts were in line with the literature review and the wording of the questions was sufficient and accurate. This process is important in order to create a similarly valid scale within the context of Malaysia's tourism sector. Equally important, the pilot study was conducted to eliminate the possibility of any unclear ideas being delivered to the respondents in each of the translated Malay questions. From the outcome of the pilot study, the researcher could identify which questions needed to be reworded and hence, this improved the right use of terms and the relevance for each question. Basically, two different phases of pilot studies were conducted.

For the pilot study of the first phase of quantitative data collection, 20 randomly selected SMTEs, including accommodation, travel agencies, restaurants and handicrafts from the sampling frame (see Table 4.7) were interviewed by a trained research enumerator in early February 2017. This is in line with the recommendations by Isaac and Michael (1995) and Malhotra et al. (2002), who note that a pilot study with samples ranging from 10 to 30 has many practical advantages due to its simplicity, easy calculation and the ability to test hypotheses.

After the completion of the first phase of data collection and preliminary quantitative analysis, the researcher decided to proceed with almost all the predetermined questions of the semi-structured interview prior to the start of the field work. This decision was made based on the pattern or direction of the answers provided in the questionnaire by the business owners, where the predetermined questions were coherent and sufficient in meeting the aim of this qualitative phase of data collection. Thus, in order to reinforce the adequacy of the questions for the semi-structured interviews, a second phase of the pilot study was conducted by the researcher in mid-April 2017 (see Figure 4.5). This basically involved 5 SMTEs entrepreneurs since the present study has a low final population.

During the pilot study, both the researcher and trained enumerator paid close attention to the terminology used in the questions and the style of asked questions. This was to ensure that during the fieldwork, all the respondents were familiar with the terminology used in the questions and that the style of asked questions was suited to the way of life of the researched communities. Furthermore, some of the questions were adapted and borrowed from other researchers. Thus, both pilot studies were crucial to ensure that all the questions and instruments worked well with the respondents and yielded the data required. Positively, the overall feedback from the both phases of the pilot study has indicated no signs of insufficient or inaccuracy of the questions in the questionnaire and semi-structured interview. Considering this result, the same questions without any changes from both versions of English and Malay were used and only Malay questions were asked during the actual administration of questionnaires and semi-structured interviews. This is because respondents were more comfortable in speaking and answering in Malay.

4.5.4 Research Setting

This research was conducted in Terengganu, which is one of the 14 states of Malaysia. There are 8 districts in total and 2 districts of Kuala Nerus and Kuala Terengganu (see Figure 3.2 in Chapter 3), were chosen for data collection.

Kuala Terengganu is the capital city and together with Kuala Nerus district, they constitute the crucial and greater part of tourism business activities (based on the sampling frame provided by Tourism Terengganu, 54% of SMTEs are situated within these locations). In addition to this, there are two public universities, Universiti Sultan Zainal Abidin (UniSZA) and Universiti Malaysia Terengganu (UMT), as well as the main international airport in Kuala Nerus, which may provide an interesting perspective or facets to the tourism businesses in Terengganu. More importantly, the main reason behind these selections is the concentrated nature of the geographic location for most of these different types of public and private tourism establishments in these selected districts, which creates the right business and cultural environment for researching the phenomenon of SMTE networking.

Being close together, most of the SMTEs entrepreneurs or business owners and other important tourism stakeholders tend to know each other. Given the dependency of tourism businesses with other establishments, the selection of Kuala Nerus and Kuala Terengganu is justified in exploring the nature of these relationships or networks and examining its' impacts on the sustainable livelihood of Terengganu as one of the main tourism destinations in the region. Finally, it is also important to note that all the tourism businesses situated in the Terengganu islands, such as Redang, Perhentian, Kapas and others, were excluded from the data collection. This step is necessary to ensure that there is no bias in terms of the results and direction of this study as the nature of the businesses, economic setting and business environment of SMTEs in the mainland are different compared to those on the islands.

4.5.5 Survey Population

The population for this research is the SMTE (accommodation, travel agencies, restaurants, handicrafts) entrepreneurs on the mainland of Terengganu in Malaysia (see Table 4.6 for a complete list of SMTEs in Terengganu).

Table 4.6 – SMTEs Population in Terengganu

Type of Business	Eligible SMTEs Population in Terengganu
Hotels & Resorts	297
Travel Agencies	130
Restaurants	*245
Handicrafts	147
Total	**819**

Source: Tourism Terengganu (2016) & TripAdvisor (2016). Note: The total number of restaurants listed sourced from both Tourism Terengganu (2016) and TripAdvisor (2016). The numbers for other types of SMTEs are solely sourced from Tourism Terengganu (2016).

A list of accommodation (297 hotels and resorts), travel agencies (130 travel agents) and handicrafts (147 establishments) was obtained through a 2016 report by Tourism Terengganu. Notably from the report, the number of restaurants (44 establishments) is not logical and proportional compared to the number of accommodation businesses (297 hotels and resorts). Thus, this study secured another list of restaurants from TripAdvisor (TripAdvisor, 2016; retrieved in www.tripadvisor.co.uk) and found huge discrepancies as there are a large number of restaurants compared to the ones reported by Tourism Terengganu.

Specifically, there are 201 restaurants on the list from TripAdvisor compared to 44 restaurants in the list of from Tourism Terengganu (2016). This discrepancy is interesting as this may indicate that not all the restaurants listed in the TripAdvisor have a business connection or network with the Tourism Terengganu. Therefore, the list of restaurants on TripAdvisor together with those from Tourism Terengganu were used for this study.

4.5.6 Sampling Frame

Considering that there are four types of SMTEs studied in this work, it was important to have a *priori* criteria (refer section 3.4.1 & 3.4.2). These *priori* criteria were identified through the extent consideration of literature (see section 2.4 in Chapter 2) and basically consist of:

1. **Size** - Micro, small and medium businesses, as is the case for most tourism businesses in Terengganu. In ascertaining the size of the businesses, the researcher asked the entrepreneurs or business owners for their number of employees and the annual sales turnover. If the number of employees and annual sales turnover was in line with the definition from the Central Bank of Malaysia (2013), they are considered to meet the first criteria of size where they are perceived to be small and medium, '*in terms of physical facilities, production, service/capacity, market share and number of employees'* (Morrison, 1996: 400).
2. **Independence of ownership** - It is the aim of this research to have an understanding how the SMTEs use the entrepreneur's networks to obtain knowledge and improve business performance. In addition to this, it is well documented that most of the SMTEs are owned independently by individual or joint owners. Thus, the obvious target group for this study is the business owners who directly manage the SMTEs*, in a personalized manner and not through the medium of a formalized management structure* (Morrison, 1996: 400).
3. **Sector** - Tourism related businesses (accommodation, travel agencies, restaurants and handicrafts).
4. **Location** - Located in the two districts of Kuala Terengganu and Kuala Nerus.

The final list of accommodation, travel agencies, restaurants and handicrafts after the process of filtration based on the criteria above is presented in Table 4.7.

Table 4.7 - Final List of SMTEs in Terengganu

Type of Business	Eligible Population Post Filtration	
	Kuala Terengganu & Kuala Nerus	**Percentage (%)**
Hotels & Resorts	60	24.3
Travel Agencies	52	21.1
Restaurants	68	27.5
Handicrafts	67	27.1
Total	**247**	**100.0**

Source: Author

4.5.7 Sample Size

There are two sample sizes that needed to be decided for the two phases of the quantitative and qualitative data collection. Specifically, the decision on sample size should always be based on the research objectives and research design. Since all the phases of data collection were conducted within the vicinity of Kuala Terengganu and Kuala Nerus, the eligible population of SMTEs was relatively small with 247 businesses. Bearing the relatively small eligible population in mind, the sample size had to be sufficiently large to allow sufficient respondents to be approached in the second phase of data collection as well in order to accommodate any attrition rate.

Based on this premise, Neuman (2006: 241) asserts that the rule of thumb in estimating the sample size is to refer to the '*conventional or commonly accepted amounts*', which is the minimum cases required to perform the adopted statistical analysis. Based on past studies that examine the theory of networks and absorptive capacity on different tourism sectors such as accommodation, museums, tourist agencies and restaurants to name a few, the sample sizes range from as low as 95 to 200 businesses (see McLeod et al., 2010; Valentina & Passiante, 2009; Petrou & Daskalopoulou, 2009).

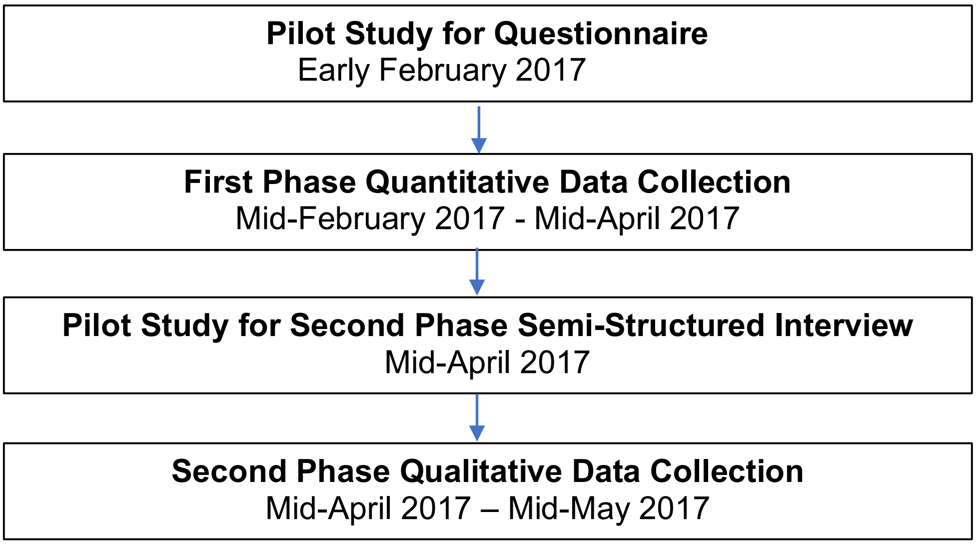
Since the eligible population is relatively small, it was decided that all the 247 businesses would be an appropriate sample size for the current study and that the sample size for the second phase of qualitative data collection would be a minimum of 12 respondents selected from the first phase data collection respectively. This was decided after considering the assertions from Sandelowski (1995) and Onwuegbuzie and Collins (2007) that the qualitative sample should not be too large as this may lead to difficulty in conducting a deep, case-oriented analysis and at the same time, it must not be too small as it will make it hard to achieve data saturation, theoretical saturation or informational redundancy.

4.6 Field Research

Essentially, the field research is the crucial part of the study encompassing the two phases of data collection. The researcher spent three months completing all the phases of data collection and it involved intensive work of setting up appointments and interview sessions as well as distribution of questionnaires. Since there were mainly two phases of data collection with different strategies, purposes and focuses, it required different approaches for the research sampling.

With this in mind, the sample used in the first phase of quantitative data collection was used again as the sampling frame for the second phase of the qualitative data collection. This process is similar to many other typical sequential mixed-method sampling studies (Teddlie & Yu, 2007). For better understanding, the timeline for all phases of data collection is summarised in Figure 4.5. Using this timeline as the premise, the next two sub-sections discuss in detail how the two phases of quantitative and qualitative data collection were conducted.

Figure 4.5 – Three Months (February to May 2017) Data Collection Timeline



Source: Author

4.6.1 First Phase of Quantitative Data Collection

As shown in Figure 4.5, a trained research enumerator started the first phase of the quantitative data collection from the middle to the end of February 2017. From the start of March until mid-April 2017, the researcher took over and completed the rest of the first phase of data collection. The main purpose of this phase was to establish and fulfil the first four research objectives, namely; (1) the profiles of entrepreneurs and SMTEs, (2) the characteristics of networks in terms of its size, strength, trust and frequency of communication, (3) the characterization of the importance of formal and informal networks in business learning through the profiles of entrepreneurs and their SMTEs, (4) the mediating effect of absorptive capacity on the relationship between the use of formal and informal networks and business performance.

In tandem with the purpose, convenience sampling was employed for the distribution of questionnaires. According to Saunders, Thornhill and Wilson (2009), convenience sampling is a haphazard selection process of cases that are easiest to obtain and is continued until the researcher’s sample size has been reached.

The adoption of convenience sampling was made since the researcher was only allocated a 3-month period for data collection as this was one of the strict policies of the Malaysia Ministry of Education's sponsorship. Given that two phases of data collection needed to be completed in the three-month period, convenience sampling was the most efficient and effective approach in obtaining a sufficient sample size within the short period allocated in Terengganu. The process for the first phase of the data collection usually started with a telephone call to book a specific day and location for the interview accordingly with the availability and preferences of the selected SMTE entrepreneurs. It is estimated that each of the entrepreneurs spent about 20 to 30 minutes approximately in answering the questionnaire and, as illustrated in Table 4.8, the majority of the SMTEs participating in this study, 35.8% (*n*= 43) come from the handicraft sector.

Table 4.8 – Percentage of Participating SMTEs

Business Category	Percentage (%)	Sample Size (*n*)
Hotels & Resorts	19.2	23
Travel Agencies	10.8	13
Restaurants	34.2	41
Handicrafts	35.8	43

Source: Author

This is then followed by restaurants with 34.2% (*n*= 41). 19.2% (*n*= 23) came from hotels and resorts and travel agencies are the smallest group at 10.8% (*n*= 13). The big gap between the number of each participating SMTE in this research is mainly due to the nature of the sub-sector, the time scale of data collection and the economic condition in Malaysia generally and Terengganu specifically. Most of the owners personally work at the premises of their handicrafts and restaurants establishments. This subsequently provided a greater opportunity for the researcher to collect more data from the two sub-sectors considering the short time-frame allocation (3 months) for the field work as compared to the hotels and resort and travel agencies.

The daily operations of hotels and travel agencies are usually handled by a team of employees with the owners mostly spending their time with management work outside the business premises. For this reason, it was challenging for the researcher to collect the required data from these two sub-sectors as the current study requires that it is distributed to the business owners as the main respondents.

On the other hand, the challenging economic conditions due to a sharp fall in oil prices since 2015 (New Straits Times, 2016b; BBC News, 2015) and the slow growth of tourism in Terengganu (see sub-section 3.2.4 in Chapter 3) might have forced many of the businesses to close. This deduction is made in the context of the dependency of Terengganu on petroleum revenue, where every drop of USD1 on oil prices can amount to a year's loss in salaries and allowances for civil servants in the state (New Straits Times, 2016b). Consequently, this may lead to serious ramifications for the economy. For this reason, this may explains a smaller number of population and sample size during the period of data collection despite the positive statistic of the number of hotels and travel agents in Terengganu (see 3.5 in Chapter 3).

In the same vein, the double listing in the sampling frame provided by Tourism Terengganu (2016) and TripAdvisor (2016) were also a contributing factor to the smaller sample size. For clarity, the ensuing Table 4.9 shows the actual number of the population after minusing the double listing and closed businesses. Evidently, Table 4.9 shows that there are big differences between the initial eligible and actual population for all four types of SMTEs with 36.8% (*n*=91) of the businesses closed or double listed in the sampling frame. Out of the four SMTEs, travel agencies and hotels and resorts recorded the highest difference at 65.4% (*n*=34) and 41.7% (*n*=25). This was then followed by the restaurants and handicrafts, with figures of 35.3% (*n*=24) and 11.9% (*n*=8). Since the large percentages of hotels and resorts and travel agencies businesses were cut from the initial eligible population, this further complicated the data collection process as the researcher was left with an even smaller number of actual population to work with in Terengganu. Upon the conclusion of the first phase, the researcher managed to collect data from 120 businesses.

Table 4.9 – Actual Population and Questionnaires Collected

Type of Business	Eligible Population		Actual Population (Minus Double Listing & Closed Businesses)		Differences Between Eligible and Actual Population (%)	
	Kuala Terengganu & Kuala Nerus	Percentage (%)	Kuala Terengganu & Kuala Nerus	Percentage (%)	Number of Double Listing & Closed Businesses	Percentage (%)
Hotels & Resorts	60	24.3	35	22.4	25	41.7
Travel Agencies	52	21.1	18	11.5	34	65.4
Restaurants	68	27.5	44	28.2	24	35.3
Handicrafts	67	27.1	59	37.8	8	11.9
Total	**247**	**100.0**	**156**	**100.0**	**91**	**36.8**

Source: Author

4.6.2 Second Phase of Qualitative Data Collection

Continuing from the first phase, the selected entrepreneurs that were willing to participate in the second phase of qualitative data collection were approached for a face-to-face interview. Since this phase is associated with the qualitative paradigm, it is considered appropriate to employ one of the non-probability sampling designs of purposive sampling. Basically, purposive sampling is crucial in obtaining information from a particular target group that is best positioned to answer research questions and meet the objectives (Sekaran & Bougie, 2010; Saunders et al*.,* 2009), which in the context of this study, consisted of a subsample of the entrepreneurs that participated in the prior phase of the quantitative data collection. The selection of this subsample is important as the richness of information that can be gained from this phase of data collection can be used to further expand the breadth and range of findings derived from the prior phase of quantitative data collection.

Depending on their availability during the limited timeframe for this phase of data collection, interviewees were selected from the subsample to represent a sufficient range of enterprises over the four different sub-sectors. Subsequently, this would give inter-sectoral insights into the dynamics of the role of knowledge and networks in these contexts. In order to obtain the required rich information through purposive sampling, semi-structured interviews were conducted.

From mid-April to mid-May 2017, the researcher conducted 14 interviews across the 4 different sub-sectors of SMTEs. Specifically, the 14 SMTEs consisted of 5 handicrafts businesses and this is followed by 3 different businesses of hotels and resorts, travel agencies and restaurants respectively. Similar to the procedure of the first phase data collection, a telephone call was made for the setup of the semi-structured interview. Interviews took about an average of 30 to 40 minutes and took place at their establishments. All the interviews were recorded and transcribed.

4.7 Data Analysis

Figure 4.1 shows there are basically two different processes of data analysis for the quantitative and qualitative data analysis. Thus, the next section will start with a discussion on the quantitative data analysis before moving on to the next process of the qualitative data analysis.

4.7.1 Quantitative Data Management

The raw data from the questionnaire went through a series of analyses that comprised descriptive statistics and inferential statistics. These were analysed through the medium of the Statistical Package for the Social Science (SPSS version 24) software and are based on univariate, bivariate and multivariate techniques.

4.7.1.1 Descriptive Analysis

Through the descriptive analysis, the researcher obtained the frequency, percentage, mean score and standard deviation to report on the distribution of scores of all related variables that were dimensions of the characteristics of entrepreneurs and their SMTEs and network. Notably, the first two research objectives are related to the characteristics of entrepreneurs, their SMTEs and networks. Thus, the descriptive technique is imperative in presenting the overview of the sample and their demographics as well as the characteristics of the formal and informal networks in providing inter-sectoral comparisons and serves as the basis for subsequent analyses.

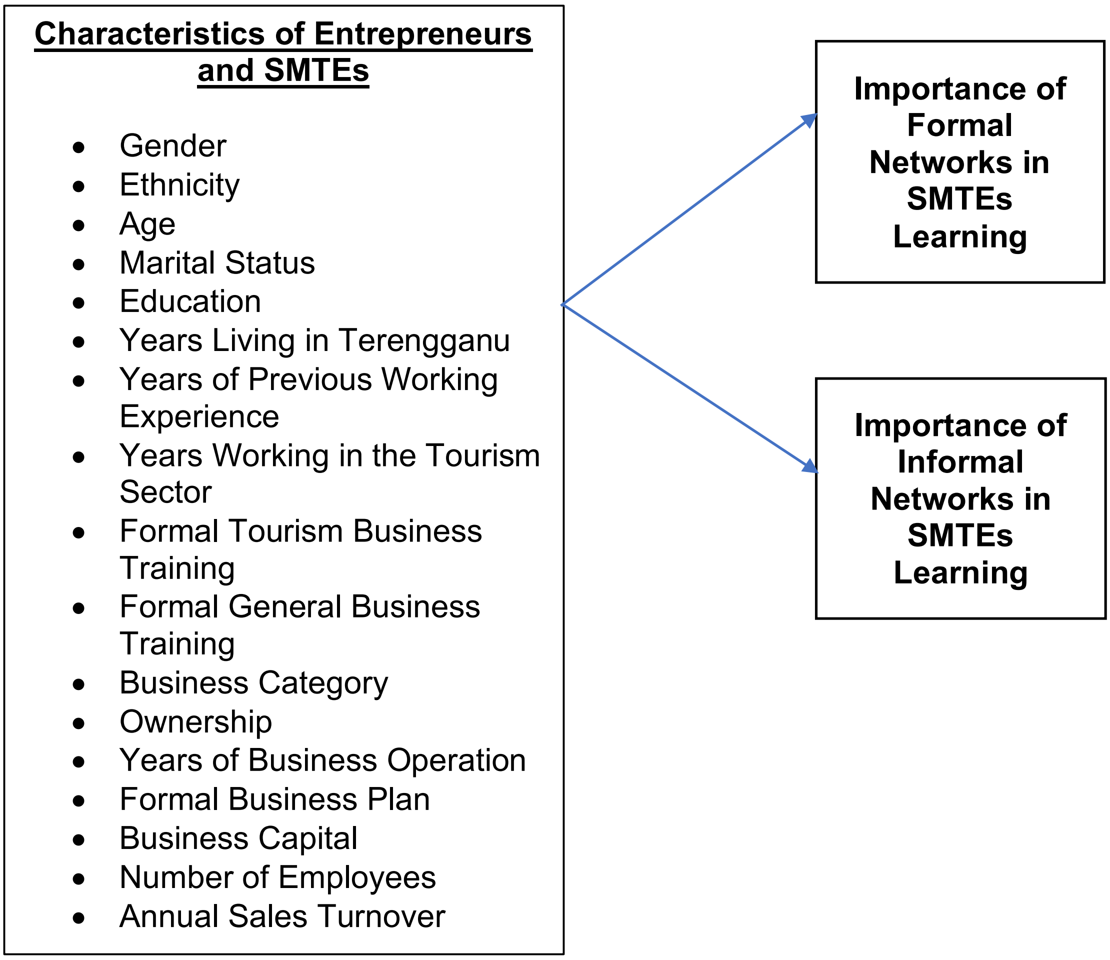
4.7.1.2 Inferential Analysis

Within the context of the current work, the main purposes of inferential analysis are to identify the (1) relationship between the characteristics of entrepreneurs and their SMTEs toward the importance of formal and informal networks in SMTE learning, and (2) the mediating impact of absorptive capacity on the relationship between the use of formal and informal networks and business performance (business management and annual sales turnover). At the start of the inferential analysis, the non-parametric analyses in the form of the Mann-Whitney U (Mann & Whitney, 1947) and Kruskal-Wallis (Kruskal & Wallis, 1952) were performed to characterise the key group of entrepreneurs and their SMTEs that preferred a formal or informal network as a more important source of knowledge in their business learning process. In other words, both analyses were conducted to understand the differences between formal and informal networks and to predict the possibility that an individual or a business would belong to a specific group based on the several categorical and continuous measurements of the characteristics of entrepreneurs and their SMTEs (see Figure 4.6 for an analysis model of this relationship).

Since an extensive number of characteristics of entrepreneurs and SMTEs were examined (17 different dimensions in total), non-parametric methods were considered as the most appropriate statistical techniques to be adopted given the large number of dimensions, prevalence of categorical data and less stringent requirements as compared to the parametric statistics (Pallant, 2011). There are two requirements or assumptions of the non-parametric analysis and these are random samples and independent observations (Field, 2009). In the context of this study, convenience sampling was employed and each of the entrepreneurs was counted only once without appearing in more than one group or category. Because of this, the assumption of random sampling was violated while the second assumption of independent observation was fulfilled.

Despite the violation, it is not uncommon to find inferential statistics used when data are from convenience samples rather than random samples (McHugh, 2013). Therefore, it was considered appropriate to employ the non-parametric statistics of Mann-Whitney U and Kruskal-Wallis tests. Subsequently, all the 17 dimensions of characteristics of entrepreneurs and SMTEs were examined through these two different tests. Accordingly, each of the dimensions was tested twice since there were two different dependent variables of the importance of formal and informal networks in SMTEs' learning.

Figure 4.6 – Analysis Model of Characteristics of Entrepreneurs and SMTEs and Importance of Formal and Informal Networks in SMTEs Learning.

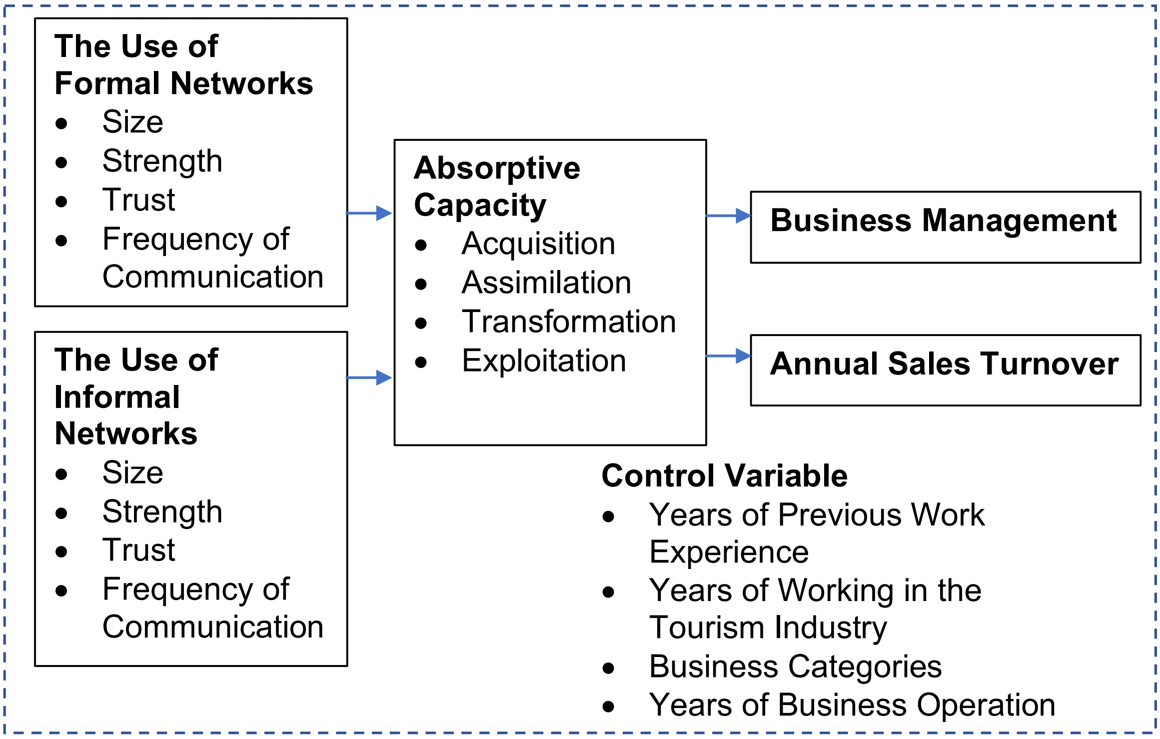


Source: Author

As for the final and second part of the inferential analysis, hierarchical linear and multiple regression analyses were employed to examine the relationship between the use of formal and informal networks, absorptive capacity and business performance (business management and annual sales turnover) with the four selected control variables from the characteristics of entrepreneurs and SMTEs (see Figure 4.7 for an analysis model of this relationship). The four selected control variables consisted of; (1) years of previous work experience, (2) years of working in the tourism industry, (3) business categories and (4) years of business operation.

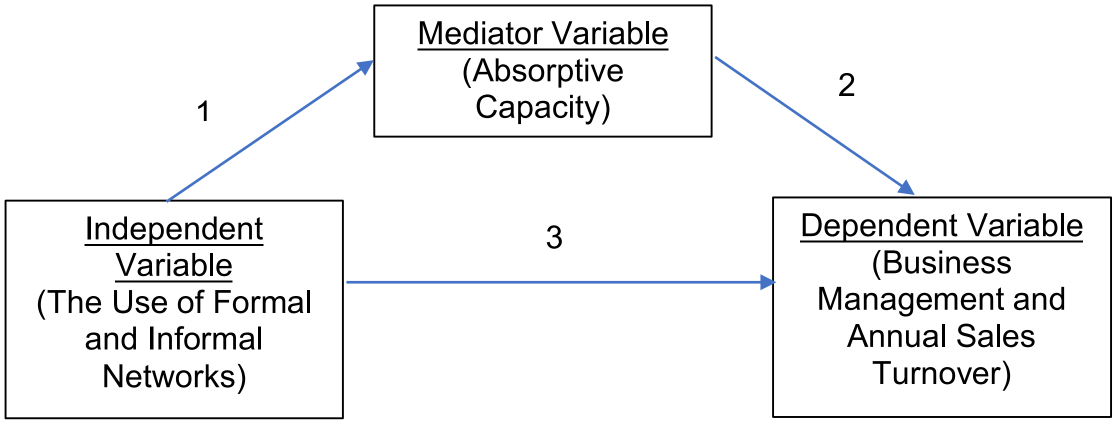
Figure 4.7 – Analysis Model of Formal and Informal Networks, Absorptive Capacity and Business Performance with the Four Selected Control Variables.

Source: Author



With the inclusion of these selected control variables in the model equations, their influences on the dependent variables (business management and annual sales turnover) could be controlled with the hierarchical multiple regression given that they are not part of the main analyses (Pallant, 2011; Field, 2009). In the context of mediating analysis, there are three steps to analyse the function of the variable of absorptive capacity as a mediator, which consist of: (1) variations in levels of the independent variable significantly account for the variation in the presumed mediator; (2) variations in the mediator significantly account for variations in the dependent variable; (3) when the relationships in the first and second conditions are controlled, a previously significant relationship between the independent and dependent variable is no longer significant, with the strongest form of mediation occurring when the relationship is zero. These conditions can be clearly observed in Figure 4.8, which is adapted from Baron and Kenny (1986).

Figure 4.8 – Basic Causal Chain Involved in Mediation



Source: Adapted from Baron and Kenny (1986). Note: *Figure 1,2 and 3 is in correspondence to the 3 conditions or steps to test for mediation analysis*

In estimating all the models in the hierarchical regression analysis, it is important to consider the extensive list of assumptions for the parametric approach. Accordingly, Pallant (2011) listed sample size, multicollinearity, outliers, normality, linearity, homoscedasticity and independence of residuals as the assumptions that need to be satisfied in order to ensure the precision of the results. This is especially important as the violation of these assumptions leads to potential results' inaccuracies, distortions and biases (Field, 2009; Hair et al., 2010). Furthermore, it is also important to note the difficulties associated in fulfilling all the statistical assumptions (Hair et al., 2010).

For instance, Pallant (2011: 64) claims that '*many scales and measures used in social sciences have scores that are skewed, either positively or negatively*'. This does not necessarily indicate a problem with the scale, but rather reflects the underlying nature of the construct being measured. Therefore, it is crucial to understand the implications of each assumption linked to any parametric statistical technique, striking a balance between the need to meet the assumptions versus the robustness of the technique and research context (Hair et al., 2010).

Given the complexities of the process and extensive list of the assumptions that need to be covered, it is considered appropriate to move the details of this particular topic in **Appendix 6** (**Sub-Appendices 6.1, 6.2, 6.3, 6.5)** in order to maintain the focus and emphasis of this chapter on the methodology itself.

4.8.2 Qualitative Data Management

The data collected from the semi-structured interviews was recorded using digital recorders and written field notes. In order to analyse these huge amounts of rich qualitative data, it had to be transcribed and themes and patterns were identified (Walsh, 2003; Hill & McGowan, 1999). Basically, the management of qualitative data involves three stages, which consist of transcription, coding and thematic analysis.

4.7.2.1 Transcription of Qualitative Data

Essentially, transcribing is an analytic process that helps in keeping the interviewees' words intact, and at the same time, allows the researcher to become more familiar with the data and aware of the emerging themes (Heath, 2011; Bryman, 2008). For instance, field research can be transformed into transcription while interview data from the digital recorded information can be transcribed as verbatim, or by making notes, selecting excerpts, or making judgments from the conducted conversation. In the context of the current research, the data were fully transcribed by the researcher to ensure that the verbatim was as accurate as possible and the interviews were given a label of interview number 1 to 14 to present a systematic management of the qualitative data.

The names of the involved entrepreneurs for the qualitative stage were also replaced with nicknames in alphabetical order to preserve the confidentiality of their identities. In this initial stage, the qualitative data was transcribed into Malay, which was the language used in all the interviews.

4.7.2.2 Coding

After the process of transcription, all the rich qualitative data were coded to link it to the meanings and categories (Walsh, 2003; Tesch, 1990). According to Miles and Huberman (1994), there are three types of codes, descriptive, interpretive and explanatory. The descriptive code is an attribution of a type of phenomena linked to the segment. As for the interpretive code, it represents a greater meaning for the coded segment while the explanatory code shows an emergence of patterns and the relation of the text segments to the study. The process of coding the transcription was conducted through the computer-assisted qualitative data analysis (CAQDAS) of the NVivo programme (version 12). The utilisation of NVivo was necessary as it helped in analysing the qualitative transcripts systematically through the facilitation of the process of data storage, coding, retrieval, comparing and linking.

4.7.2.3 Thematic Analysis

NVivo basically enabled the researcher to focus on the analytical process, develop ideas and identify emerging themes as the data was coded (Abd-Manaf, Harries & Clare, 2011). It is important to note that NVivo does not automatically do the coding and analysis of the data as it requires the researcher to interpret the code and retrieve the data (Bryman, 2008). To analyse the data, thematic analysis was employed to capture critical ‘evidence’ related to the research objectives. This evidence was conveyed in short or sometimes long significant phrases with their coded meanings for further analysis. Within the next process, content analysis was conducted to take counts of these significant data (phrases) and their meanings as accordingly. The common meanings of these significant data (obtained through the content analysis) were grouped and categorised to create themes (Walsh, 2003).

From this process, the researcher was able to identify the key themes, which were then reviewed and dropped or added or merged in several versions until the researcher managed to obtain the final main themes.

At this stage, all the important phases that related and supported the final themes were translated by the researcher from Malay to English. This is in line with the qualitative data management employed in a study by Ahmad (2005b) where he did the translation process after the key themes emerged.

4.8 Research Ethics

Several ethical issues should be addressed while collecting data in order to contribute to knowledge in a responsible and precise manner. Since the researcher is a student of University of Exeter, he is subjected to the University's policies and the UK laws in protecting the safety, rights, dignity, confidentiality and anonymity of the research subjects (SMTEs entrepreneurs). For this reason, the researcher managed to obtain ethics clearance from the Business School ethics panel in order to proceed with the data collection in Terengganu (the University of Exeter Business School Research Ethics Form can be found in **Appendix 2**). Based on this, the researcher follows the University of Exeter records management procedures.

All the collected data (papers, soft documents, audio records) from the participants of this study are kept securely in the password protected files by the researcher and will only be used for the purposes of the completion of the doctoral thesis, conference presentation and journal publication. In accordance with the consent form (see **Appendix 2)**, the anonymity and strict confidentiality of the participants' details are assured. Thus, the researcher is responsible for the security of the data and will not disclose the data either orally or in writing, accidentally or otherwise to any unauthorised third party. At the end of the project, the analysed data will be kept securely only by the researcher for journal publication. The time limit for this is six years, in line with the University of Exeter policies on Data Protection.

All the raw data, such as questionnaires, soft documents and audio tapes will not be held indefinitely and will be destroyed immediately. Accordingly, all the raw data recorded in the papers will be shredded, and electronic records will be deleted.

In addition, the researcher is required to comply with requests to the University under the Freedom of Information Act 2000 and practice openness in his research endeavours wherever possible.

Table 4.10 – Research Methods and Methods Gaining Consent

Research Methods	**Methods of Gaining Consent**
First stage quantitative data collection: Self-administered questionnaire	The researcher came to the premises of the SMTEs to distribute the consent form and questionnaire personally. Prior to the respondent answering the questionnaire, the researcher explained the purpose of the study and the rights of the respondent. If the time was not right for the respondent to fill in the questionnaire after this explanation had been given, the researcher allowed a certain timeframe for the completion of the questionnaire and came back to collect it.
Second stage qualitative data collection: Semi-structured interview	There is a question in the questionnaire from the first stage of data collection that asked for the entrepreneur's permission to be approached by the researcher for the second stage of data collection in the form of a semi-structured interview. Thus, the participants that agreed to participate in the second stage were chosen and telephone calls were made for the setup of the semi-structured interview.

Source: Author (2016)

In the context of the face-to-face distribution of the questionnaire and the semi-structured interview, they were conducted in business premises or at other safe and suitable locations. Since the researcher is from Malaysia, the relevant procedures for safeguarding were implemented, with one of his family (e.g. wife or father) were informed of the location and time of the interviews. Furthermore, University of Exeter staff were also in regular contact and the researcher had 24-hour contact numbers for his supervisory team. In conducting the field research, Table 4.10 above presents the methods of how the researcher recruited the SMTEs entrepreneurs and gained their ‘informed consent’.

Regarding the potential harm of this research may have caused to the respondents, there was minimal interference by the researcher in the normal daily life or work flow of the entrepreneurs since the researcher only needed 40 to 60 minutes for them to participate in the semi-structured interview, and about 30 minutes in answering the questionnaire. Thus, it can be safely concluded that there were no significant risks.

CHAPTER 5
CHARACTERISTICS OF ENTREPRENEURS AND THEIR SMALL AND MEDIUM-SIZED TOURISM ENTERPRISES

5.1 Introduction

Considering the scale of complexity of this research, which involves numerous different tourism sub-sectors and research variables of networks, absorptive capacity and business performance, it is therefore important to start the investigation into the characteristics of the business owners and their establishments as the basis of the study. In line with this notion, it is the aim of this chapter to provide, interpret and discuss the descriptive results, which are crucial in researching the quantitative component of the first objective, which is to understand the characteristics of entrepreneurs and their SMTEs. This was achieved by specifically examining the 17 different dimensions of characteristics through the unique perspective of four different tourism sub-sectors namely, hotels and resorts, travel agencies, restaurants and handicrafts. From this, the overview for the sector and the extent of heterogeneity within Terengganu's tourism sub-sectors were examined. The descriptive results of characteristics for these different sub-sectors can also be compared with the previous key literature, where the pattern and context of the research outcomes can be further interpreted and discussed. Given the lack of research or any secondary data especially on the comparisons between different sub-sectors within the region, these results are particularly important in providing the basis for the subsequent phase of analysis and discussions on the inter-relationships between networks, absorptive capacity and business performance.

5.2 Descriptive Results of Entrepreneurs and Their SMTEs

It needs to be highlighted that the characteristics of entrepreneurs and their SMTEs can be primarily derived from the both sections G and H of the questionnaire (**see Appendix 3**). Both sections consist of questions to categorise the entrepreneurs and their SMTE profiles.

Based on this premise, the discussion will firstly focus on the distribution of gender as the first dimension of characteristics.

5.2.1 Gender

Table 5.1 illustrates the spreads for the SMTE owners in this study. The results suggest that there was a fairly even balance between men (50.8%, *n*=61) and women (49.2%, *n*=59) as entrepreneurs in the tourism sector in Terengganu.

Table 5.1 – Gender

Gender	**Percentage (%)**	**Sample Size (*n*)**
Male	50.8	59
Female	49.2	61

Source: Author

Previous literature shows that most of the SMTEs in many countries are predominantly managed by men (Ahmad, 2015; Avcikurt, 2003; Williams et al, 1989), and this includes a previous study in Malaysian hotels (Jaafar et al., 2011). Jaafar et al. (2011) attributed this to the cultural influence in Malaysia, specifically where the male is the decision maker of the family. This notion is in line within restaurants in China, where it is reported that the higher percentages of male business owners are due to the '*reflection of the dominance of traditional gender roles in Chinese society, where financial matters are still deemed primarily the responsibility of an adult male*' (Chen & Elston, 2013: 303). However, this is not the case for the current study, in which the percentages of males and females are fairly balanced in terms of the business ownership. This distribution may be due to the different dimensions or cultural characteristics that are attributed to each different tourism sub-sector in Terengganu (hotels and resorts, travel agencies, restaurants, handicrafts).

Referring to Table 5.2, it is notable that the two sub-sectors of restaurants and handicrafts are predominantly owned and managed by females. For the restaurants, the highest percentage of 63.4% is for females, with a much lower percentage, 36.6%, of males. This result is not in line with the reported outcome in a study by Chen and Elston (2013) on the restaurant owners in China, where the males constituted 89.1% of the respondents and were followed by females with 12.9%. This is also the case within Malaysia's neighbouring country of Indonesia, where it was reported that restaurant owners were predominantly males, with 65.5%, and the percentage of female owners was 34.5% (Eravia et al., 2014).

Table 5.2 – Percentages of Gender in Four Different Types of SMTEs

SMTEs	**Categories**	**Percentage (%)**	**Sample Size (*n*)**
Hotels and Resorts	Male	65.2	15
	Female	34.8	8
Travel Agencies	Male	69.2	9
	Female	30.8	4
Restaurants	Male	36.6	15
	Female	63.4	26
Handicrafts	Male	46.5	20
	Female	53.5	23

Source: Author

Interestingly, the result of this study is similar to one study's findings in Nigeria. It was reported by Umeze and Ohen (2014) that the ownership of restaurants participating in their study was dominated by the females at 83.3%, compared with male owners constituting a much lower percentage, 16.7%. Umeze and Ohen (2014) explain that the inconsistent findings of their research as compared to the previous literature was due to the cultural differences in Nigeria, where the females are more into restaurant businesses than males as cooking skills are largely associated with the females.

It is worth mentioning that there are many types of traditional cuisines in Terengganu. The restaurant sector can be segmented according to the particular cuisine they serve – and there may be gender differences across these segments. For instance, the researcher noticed that almost all the restaurants that serve *ikan celup tepung* (fish coated in a batter) are mostly owned by females. These types of restaurants can be commonly found concentrated along the 5-kilometre stretch of *Teluk Ketapang* and *Mengabang Telipot* beaches as the two areas are well known for their *ikan celup tepung.* During the data collection, the researcher interviewed 10 entrepreneurs in this area and found out that 9 of the restaurants are female-owned. This unique attribute explains the large percentage of female owners as compared to the males within the restaurant sector in Terengganu.

Similar to the percentages of restaurants, 53.5% of the respondents from the handicraft sector are females. This is in line with the result of research conducted by Mitra and Paul (2017) on the handicraft sector in India, where 57.5% of artisans that ventured into micro enterprises were female. The percentages of gender recorded in both sub-sectors of restaurants and handicrafts seem to confirm the notion that their attributes are more related to the cooking and handicraft skills, which are much more common among women, especially in Terengganu. In addition to this, both sub-sectors are attractive to women due to the low barriers of entry and common nature of the work, which makes it easy for women in Terengganu to oversee the business operations and domestic responsibilities.

Moving on to the other two sub-sectors of hotels and resorts and travel agencies, male owners are in the majority, with 65.2% and 69.2% respectively. In the same vein, the outcomes of the hotels and resorts are also consistent with the previous literature, where the males dominated the frequency of ownership in the accommodation sector with more than 60% (Ahmad, 2015; Jaafar et al., 2011; Avcikurt, 2003; Williams et al*.,* 1989). The result of this study is different for the travel agencies. It was reported by Diaz-Chao et al*.* (2016) in Spain that the females constituted the largest percentage of the travel agencies' ownership with 56.7%.

In fact, their findings are also consistent with the reported outcomes in Taiwan and Brazil as the business ownership of hotels, travel agencies and food and beverage outlets are dominated by the females (see the works of Tsai, Wu & Wang, 2014 and Costa et al*.,* 2015). In the culture of Malaysian people, however, males are considered as the leaders of the family (Jaafar et al., 2011). Therefore, the high percentages of males as compared to the females may be attributed to the nature of the hotels and resorts and travel agencies, which are associated with a higher level of business and financial management as compared to the sub-sectors of handicrafts and restaurants.

5.2.2 Ethnicity

With regards to the ethnicity of the business owners, Table 5.3 illustrates that Malay ethnicity constituted the clear majority of the respondents, 88.3% (*n*=106), followed by Chinese, 10.0% (*n*=12), and Indian, 1.7% (*n*=2). This result corresponds with the statistics provided by the Department of Statistics Malaysia (2017), where it is recorded that Malay makes up the majority of the population in the state with 91.7% (1.1 million people). Chinese is the second highest with 2.3% (28,400 people), and followed by Indian ethnicity with 0.2% (2,400 people).

Table 5.3 – Ethnicity

Categories	**Percentage (%)**	**Sample Size (*n*)**
Malay	88.3	106
Chinese	10.0	12
Indian	1.7	2

Source: Author

Another interesting facet of these results is the distribution of the ethnic groups within the four different types of SMTEs, which is presented in Table 5.4. This distribution is interesting in the sense that there are no Chinese business owners in the Terengganu handicraft sub-sector.

Table 5.4 – Percentages of Ethnicity in Four Different Types of SMTEs

SMTEs	Categories	Percentage (%)	Sample Size (*n*)
Hotels and Resorts	Malay	52.2	12
	Chinese	43.5	10
	Indian	4.3	1
Travel Agencies	Malay	92.3	12
	Chinese	7.7	1
	Indian	0.0	0
Restaurants	Malay	97.6	40
	Chinese	2.4	1
	Indian	0.0	0
Handicrafts	Malay	97.7	42
	Chinese	0.0	0
	Indian	2.3	1

Source: Author

Historically, Terengganu has always been known for having many leading craftsmen and artisans making Malay handicraft products such as *batik, songket,* and brass and boat building (Tourism Terengganu, 2017). Apart from that, Terengganu is also famous for its local Malay foods such as *keropok lekor* and *nasi dagang* (Tourism Terengganu, 2017). Since most of the handicraft products and local delicacies are considered by many as representative of the local Malay culture and identity, it explains the pattern of distribution where the percentages of Chinese are low comparably in the two sub-sectors of handicrafts and restaurants. In addition, the ethnicity statistics for the population within the region also contributed to the overall pattern of low percentages for both Chinese and Indian across the three sub-sectors of travel agencies, restaurants and handicrafts.

However, it is also important to note that the percentage of Chinese was recorded to be similar to that of the Malay in the accommodation sub-sector as most Chinese are based in the state's capital or city centre of Kuala Terengganu, which is one of the main research settings for this study (Sua et al., 2012).

5.2.3 Age

As for the dimension of age, Table 5.5 indicates that there are 9 differing age groups across the entrepreneurs of the four different types of SMTEs with most of them recorded as being within the range of age between 51 and 55 years at 20.0% (*n*=24). The entrepreneurs in the 41 to 45 age group constitute the second highest percentage at 17.5% (*n*=21) and this is followed by the percentage of owners in the age range between 31 and 35, which is 15.0% (*n*=18). Table 5.5 also shows that the lowest percentage of business owners, 4.2% (*n*=5) is within the range of both age groups between 20 to 25 years and 26 to 30 years.

Table 5.5 – Age

Age Group	Percentage (%)	Sample Size (*n*)
20-25	4.2	5
26-30	4.2	5
31-35	15.0	18
36-40	11.7	14
41-45	17.5	21
46-50	7.5	9
51-55	20.0	24
56-60	10.8	13
61 and above	9.2	11

Source: Author

The spread of the age groups across the four different types of SMTEs in the following Table 5.6 also exhibits a similar pattern of distribution for the most part.

This is shown by the lack of business owners that were recorded in the age group of the 20 to 25 and 26 to 30 age groups across all SMTEs. For the hotels and resorts, the majority of the entrepreneurs are in their early 40s and 50s with the percentages for both age groups (41-45 and 51-55) being 21.7%.

Table 5.6 – Percentages and Means of Age of Four Different Types of SMTEs

SMTEs	**Age Group**	**Percentage (%)**	**Sample Size (*n*)**	**Mean Age Group for Each Sector**
Hotels & Resorts	20-25	0.0	0	46-50
	26-30	0.0	0	
	31-35	17.4	4	
	36-40	4.3	1	
	41-45	21.7	5	
	46-50	8.7	2	
	51-55	21.7	5	
	56-60	8.7	2	
	61 and above	17.4	4	
Travel Agencies	20-25	7.7	1	46-50
	26-30	0.0	0	
	31-35	15.4	2	
	36-40	7.7	1	
	41-45	15.4	2	
	46-50	0.0	0	
	51-55	15.4	2	
	56-60	15.4	2	
	61 and above	23.1	3	
Restaurants	20-25	4.9	2	41-45
	26-30	7.3	3	
	31-35	12.2	5	
	36-40	17.1	7	
	41-45	19.5	8	

	46-50	7.3	3	
	51-55	12.2	5	
	56-60	9.8	4	
	61 and above	9.8	4	
Handicrafts	20-25	4.7	2	41-45
	26-30	4.7	2	
	31-35	16.3	7	
	36-40	11.6	5	
	41-45	14.0	6	
	46-50	9.3	4	
	51-55	27.9	12	
	56-60	11.6	5	
	61 and above	0.0	0	

Source: Author

This is different in the context of travel agencies, where the percentage of most of the entrepreneurs who are 61 and above is 23.1%. Nevertheless, there are also many of them that are in the age groups of 31 to 35, 41 to 45 and 56 to 60 with their percentages at an identical 15.4%. Looking at both restaurants and handicrafts, the majority of the owners are in their early 40s (41 to 45) and 50s (51 to 55) with the former's percentage recorded at 19.5% and the latter's percentage being 27.9%. As for the average age across the four sub-sectors, Table 5.6 shows that the mean age group for the entrepreneurs of hotels and resorts and travel agencies is 46 to 50 years while the 41 to 45 years group is the mean age group of owners in restaurants and handicrafts.

The results for the age groups across the four different types of SMTEs are consistent with the previous findings from different countries such as Brazil. For instance, Costa et al. (2015) found that most of the Brazilian owners of hotels, travel agencies and foods and beverage outlets belonged to the middle-aged and older population with the average age of their respondents at 45 years old. Thus, it can be safely concluded that most of the owners across the four different types of SMTEs belonged to the middle-aged group.

This distribution can be attributed to the nature of the sector itself, which is considered as suitable and pleasant for most of the entrepreneurs as they have the opportunity to live with their spouses and children while operating their businesses (Morrison & Teixeira, 2004; Szivas, 2001). This notion is further strengthened by the percentages married respondents in the following part of the discussion, which shows that most of the entrepreneurs were married and had families.

5.2.4 Marital Status

Table 5.7 shows the majority of the entrepreneurs are married, with their percentage recorded at 88.3% (*n*=106). With 91.6% (*n*=110) of the business owners belonging to the age groups of 30 and above, naturally this would translates into the high percentages of married respondents in this research.

Table 5.7 – Marital Status

Categories	**Percentage (%)**	**Sample Size (*n*)**
Married	88.3	106
Single	9.2	11
Widow	2.5	3

Source: Author

This was empirically supported by the Malaysian Department of Statistics (2010), which reported that the mean age at the first marriage for men was 28 years old while for women it was 25.7 years old. This is consistent with the mean age group for each sub-sector presented in Table 5.6 as they range from 40 to 50 years old. As for the rest of the distribution, the single business owners were the second largest group with 9.2% (*n*=11) and those widowed make up 2.5% (*n*=3).

5.2.5 Education

Regarding the education of the business owners, Table 5.8 shows that most of them, 53.3% (*n*=64), are high school leavers, 24.2% (*n*=29) are diploma holders and degree graduates constitute 14.2% (*n*=17). An equal 3.3% (*n*=4) is recorded for the respondents that have a master degree and for those that only have a primary school education. Lastly, only 1.7% (*n*=2) of the business owners have completed short courses.

Table 5.8 – Education

Categories	**Percentage (%)**	**Sample Size (*n*)**
Primary School	3.3	4
High School	53.3	64
Short Courses	1.7	2
Diploma	24.2	29
Degree	14.2	17
Master	3.3	4

Source: Author

Examining the results based on the different types of SMTEs, however, reflects a different scenario as the revealed outcomes in Table 5.9 highlight the distinctive characteristics of each sub-sectors.

Table 5.9 – Percentages of Owner's Education Level in Four Different Types of SMTEs

SMTEs	**Education Level**	**Percentage (%)**	**Sample Size (*n*)**
Hotels & Resorts	School	34.8	8
	Short Course	0.0	0
	Undergraduate	52.2	12
	Postgraduate	13.0	3

Travel Agencies	School	38.5	5
	Short Course	0.0	0
	Undergraduate	53.9	7
	Postgraduate	7.7	1
Restaurants	School	63.4	26
	Short Course	2.4	1
	Undergraduate	34.1	14
	Postgraduate	0.0	0
Handicrafts	School	67.4	29
	Short Course	2.3	1
	Undergraduate	30.2	13
	Postgraduate	0.0	0

Source: Author

The 6 different levels of education were summarised into 4 levels of school, short course, undergraduate and postgraduate in order to give better insights into the distinctive nature of each SMTE. Clearly, most of the business owners in hotels and resorts (65.2%) and travel agencies (61.6%) received education at university, either at the undergraduate or postgraduate level. This was also the case in Tsai et al.'s (2014) research in Taiwan as 98.4% of their respondents of owners of hotels and travel agencies at least graduated from junior college, college or graduate school. Similar patterns were also revealed among the owners of small and medium-sized hotel establishments and travel agencies in Spain and Turkey, where more than half of them were reported to have university qualifications (Avcikurt, 2003; Diaz-Chao et al., 2016). Contrastingly, other studies have found that most of the hotel owners in Australia and Dubai, for instance, do not have any formal university qualifications (Ahmad, 2015; Getz & Carlsen, 2000).

In fact, the previous study conducted by Jaafar et al. (2011) on the 137 owners of small and medium-sized hotels in urban, coastal and island settings within the three states (Kelantan, Terengganu and Pahang) of the East Coast of Peninsula Malaysia found that the majority of them were high school leavers.

The results of this study does not support the work of Jaafar et al*.* (2011) due to the important differences in terms of the contextual setting. This research is solely focussed on the two main urban settings of Kuala Terengganu and Kuala Nerus, and hence, excludes the other two states of Kelantan and Pahang as well as the different business environments in the research setting of islands.

In comparison to the owners in restaurants and handicrafts, they only finished their school education as 63.4% and 67.4% of them had not received any university education. Similar to restaurants in China, Chen and Elston (2013) reported that 91.7% of entrepreneurs only finished primary, junior, high and vocation schools and some of them were illiterate. Abdul-Halim et al*.* (2011) states that in Terengganu's handicraft sub-sector, the highest percentage in terms of the level of education among the business owners was from school, (34.3%) followed by certificate holders (27.6%).

Overall, it is notable that the owners of restaurants and handicrafts held formal higher education as relatively unimportant in their business operations as compared to the owners of hotels and resorts and travel agencies. Despite this, it is also important to highlight that majority of the SMTE entrepreneurs had up to 5 years of work experience prior to the start-up of their businesses (see Table 5.12). This may indicate the relative importance of working experience held by these owners as compared to the formal education in learning the intricacies within SMTE operations.

5.2.6 Years Living in Terengganu

With different patterns of distribution reported for ethnicity and education in each type of SMTE, it can be observed that evidently, most of the business owners have been living in Terengganu for decades.

Table 5.10 – Years in Terengganu

Years in Terengganu	Percentage (%)	Sample Size (*n*)
1 to 10	4.1	5
11 to 20	3.3	4
20 to 30	8.3	10
30 to 40	25.8	31
More than 40	58.3	70

Source: Author

Accordingly, the highest percentage, 58.3% (*n*=70) is for the group of those owners who have been in Terengganu for more than 40 years, followed by the 30 to 40 years group with 25.8% (*n*=31) (see Table 5.10). Considering that most of the respondents belong to the groups of middle-aged and above where their average age groups range from 41 to 50 years (Table 5.6), it can be assumed that the majority of the business owners have been living in Terengganu for a considerable part of their lives. This can be particularly observed in the distribution on the cross-tabulation between the years of them living in Terengganu and their age groups, which is presented in Table 5.11 below.

Table 5.11 – Years in Terengganu in Four Different Types of SMTEs

SMTEs	Years in Terengganu	Owner's Age Group	Percentage (%)	Sample Size (*n*)
Hotels & Resorts	1 to 10	31-35, 41-45	8.7	2
	11 to 20	-	0.0	0
	21 to 30	56-60	4.3	1
	31 to 40	30-35, 36-40, 41-45, 51-55, 61 and above	30.4	7
	More than 41	41 and above	56.5	13
Travel Agencies	1 to 10	-	0.0	0
	11 to 20	31-35, 51-55	15.4	2

	21 to 30	20-25	7.7	1
	31 to 40	31-35, 36-40	15.4	2
	More than 41	41 and above	61.5	8
Restaurants	1 to 10	36-40, 46-50	4.8	2
	11 to 20	31-35	2.4	1
	21 to 30	20-25, 26-30, 36-40	14.7	6
	31 to 40	31-35, 36-40	22.0	9
	More than 41	41 and above	56.1	23
Handicrafts	1 to 10	30-35, 46-50	2.3	1
	11 to 20	21-25, 31-35	2.3	1
	21 to 30	21-25, 26-30	7.0	3
	31 to 40	26-30, 31-35, 36-40, 51-55	27.9	12
	More than 41	41 and above	60.5	26

Source: Author

Clearly, a large percentage of the business owners from each sub-sector (56.5% from hotels and resorts, 61.5% from travel agencies, 56.1% from restaurants and 60.5% from handicrafts) has been living in Terengganu for more than 41 years. On the other hand, there were small percentages of the owners across the four different types of SMTEs that have not spent as much of their lifetime in the state compared to other entrepreneurs if the comparisons between their age and years living in Terengganu are made.

For instance, there are owners of hotels and resorts (8.7%), restaurants (4.8%) and handicrafts (2.3%) in their 30s and 40s that have spent up to 10 years living in Terengganu which amounts to less than half of their lifetime. Similarly, there are other similar cases in the higher number of years' categories across the four different types of SMTEs. Nevertheless, it is safe to assume that for someone to spend 11 years or more in Terengganu, it is considered as sufficient for them to become familiar with their business environment and have an understanding of the surrounding culture and market characteristics.

5.2.7 Years of Previous Working Experience

As mentioned previously in the education section, the years of work experience gained by the owners in the sector before the start-up of their enterprises can be seen as crucial in providing a better understanding of their respective environments. Focusing on the years of previous working experience, which these owners have irrespective of any sectors, Table 5.12 surprisingly shows that most of them do not have extensive experience with their percentage recorded at 55.0% (*n*=66). This is followed by 3 to 5 years of prior working experience, which is recorded at 11.7% (*n*=14) and 6 to 8 years at 6.7% (*n*=8). On the other hand, there were also a significant number of respondents that had more than 15 years of previous working experience, which constitutes 19.2% (*n*=23) of the respondents.

Table 5.12 – Years of Previous Working Experience

Years of Working Experience	**Percentage (%)**	**Sample Size (*n*)**
0 to 2	55.0	66
3 to 5	11.7	14
6 to 8	6.7	8
9 to 11	5.0	6
12 to 14	2.5	3
More than 15	19.2	23

Source: Author

Examining this distribution closely, it can be identified that the results were influenced by the unique characteristics of each sub-sector of hotels and resorts, travel agencies, restaurants and handicrafts. Bearing in mind that handicrafts and restaurant owners constitute majority of the SMTE owners interviewed in this study as compared to the owners of hotels and resorts and travel agencies, Table 5.13 shows the different pattern of the working experience distribution for each type of SMTE owner.

Clearly, most of the business owners of restaurants (61.0%) and handicrafts (88.4%) did not have many years of previous working experience (1 to 5 years) prior to opening their own businesses. This was the same case relatively in the context of the travel and accommodation sub-sectors, where 53.9% and 43.4% of the owners respectively only had up to 5 years of prior working experience. This distribution may be attributed to the ease of entry into tourism sector (Jaafar *et* al., 2011; Morrison & Teixeira, 2004; Szivas, 2001) as most of the business owners, especially from the restaurants and handicrafts only equip themselves with up to 5 years of working experience prior to the start-up of their businesses.

Table 5.13 – Percentage of Years of Previous Working Experience in Four Different Types of SMTEs

SMTEs	**Years of Working Experience**	**Percentage (%)**	**Sample Size (*n*)**
Hotels & Resorts	0 to 5	43.4	10
	6 to 11	17.3	4
	More than 12	39.1	9
Travel Agencies	0 to 5	53.9	7
	6 to 11	23.1	3
	More than 12	23.1	3
Restaurants	0 to 5	61.0	25
	6 to 11	14.7	6
	More than 12	24.4	10
Handicrafts	0 to 5	88.4	38
	6 to 11	2.3	1
	More than 12	9.3	4

Source: Author

On the other hand, the percentages of owners of hotels and resorts and travel agencies that accumulated 6 years and above of previous working experience are quite balanced comparably against the owners with less than 5 years of previous working experience.

Based on Table 5.11, 56.4% and 46.2% of owners of hotels and resorts and travel agencies had 6 or more years working experience. In contrast, there are only 39.1% and 11.6% of restaurant and handicraft owners that accumulated more than 6 years of previous working experience. Based on these percentages, the results reflect the willingness for a great number of owners in the two sub-sectors of accommodation and travel agencies to gain considerable working experience as compared to the owners of restaurants and handicrafts.

5.2.8 Years of Working in the Tourism Sector

Fairly similar to the reported results of the years of previous working experience, the highest percentage, 44.2% (*n*=53) was recorded for the group of business owners that had up to 2 years of working experience in the tourism sector (see Table 5.14). This is then followed 30.8% (*n*=37) of owners that had the most years of working experience with more than 15 years.

Table 5.14 – Percentage of Years Working in Tourism Sector

Years of Working in Tourism Sector	**Percentage (%)**	**Sample Size (*n*)**
0 to 2	44.2	53
3 to 5	10.8	13
6 to 8	3.3	4
9 to 11	8.3	10
12 to 14	2.5	3
More than 15	30.8	37

Source: Author

Across the four different types of SMTEs, Table 5.15 reflects a different distribution from the results presented in Table 5.13. Whereas the percentages of years of previous working experience are more balanced for hotels and resorts and travel agencies, the percentages for the years spent working in tourism are imbalanced across the board.

Table 5.15 – Percentage of Years of Working Experience in the Tourism Sector in Four Different Types of SMTEs

SMTEs	Years of Working Experience in Tourism	Percentage (%)	Sample Size (*n*)
Hotels & Resorts	0 to 5	69.5	16
	6 to 11	13.0	3
	More than 12	17.4	4
Travel Agencies	0 to 5	69.3	9
	6 to 11	15.4	2
	More than 12	15.4	2
Restaurants	0 to 5	58.5	24
	6 to 11	7.3	5
	More than 12	34.2	12
Handicrafts	0 to 5	39.5	17
	6 to 11	13.9	6
	More than 12	46.5	20

Source: Author

Interestingly, 60.4% of the handicraft business owners had worked in the tourism sector for more than 6 years as compared to 30.4%, 30.8% and 41.5% of the owners of hotels and resorts, travel agencies and restaurants respectively. Contrastingly, the majority of the owners of hotels and resorts (69.5%), travel agencies (69.3%) and restaurants (58.5%) had only spent up to 5 years working in the tourism sector. For handicrafts businesses, only 39.5% of the owners that belong to the group had up to 5 years of working experience in tourism. Linking together both findings, it can be observed that for hotels and resorts and travel agencies, a lower percentage of business owners have spent many years working specifically in the tourism sector despite the fact that a higher number of them are recorded to have had quite extensive previous general working experience.

The outcome of this dimension is consistent with Avcikurt's (2003) findings where almost half of the hotel owners in Turkey had over five years of work experience but many of them had no formal tourism education and hotel management experience or vocational training at the managerial levels. Jaafar et al. (2011) also supports this finding as they found that only 11% of the owners in Malaysia had any previous working experience in the hotel sector with the majority of them having experience in different sectors.

As for the owners of restaurants, they have a similar pattern for the years of previous general working experience and years they spent working in the tourism sector. Therefore, the outcomes suggest that the restaurant owners spent considerable years in their respective sub-sector as part of their working experience. In the context of handicrafts, however, most of the owners spent more years working within the sub-sector as compared to the years spent working outside of the sub-sector. Given the skill-based nature of handicrafts and restaurants, it is likely that most of the owners spent a considerable time working in each respective sub-sector. For example, Chen and Elston (2013), Umeze and Ohen (2014) and Gautam (2016) identified that most of the owners in their studies had worked for other restaurants and handicrafts businesses to gain experience before opening their own ventures. In addition, most of these owners did not have a formal higher education (see Table 5.8) and this heightened the importance of time spent working within the sub-sector.

5.2.9 Tourism and General Business Training

With the considerable years accumulated working inside and outside of the tourism sector across the four sub-sectors of SMTEs, it is interesting to observe that only 28.3% (*n*=34) of the business owners had participated in formal tourism training such as short seminars or workshops (see Table 5.16).

Table 5.16 – Tourism Training

Training Types	Categories	Percentage (%)	Sample Size (*n*)
Tourism	Yes	28.3	34
	No	71.7	86

Source: Author

In contrast, there were substantial number of business owners have been involved with the formal business training as their percentage risen to 55.8% (*n*=53) as compared to 28.3% that participated in formal tourism training (Table 5.16 and 5.17).

Table 5.17 – General Business Training

Training Types	Categories	Percentage (%)	Sample Size (*n*)
General Business	Yes	55.8	53
	No	44.2	67

Source: Author

Examining the percentage breakdown based on each type of SMTE accordingly, Table 5.17 shows that most of the business owners who had participated in formal tourism business training came from the hotels and resorts, with 43.5%, followed by handicrafts at 34.9%. The majority of the business owners from travel agencies (76.9%) and restaurants (85.4%), however, had not participated in any formal tourism business training. Clearly, formal business training is more common in hotels and resorts (52.2%), travel agencies (46.2%) and handicrafts (51.2%). However, this is not the case for the business owners of restaurants as participation rates for such businesses in formal tourism and general business training were found to be 14.6% and 31.7% respectively.

Table 5.18 – Percentage of Business Owner's Participation in Formal Tourism and General Business Training

SMTEs	Training Types	Participation	Percentage (%)	Sample Size (*n*)
Hotels & Resorts	Tourism	Yes	43.5	10
		No	56.5	13
	Business	Yes	52.2	12
		No	47.8	11
Travel Agencies	Tourism	Yes	23.1	3
		No	76.9	10
	Business	Yes	46.2	6
		No	53.8	7
Restaurants	Tourism	Yes	14.6	6
		No	85.4	35
	Business	Yes	31.7	13
		No	68.3	28
Handicrafts	Tourism	Yes	34.9	15
		No	65.1	28
	Business	Yes	51.2	22
		No	48.8	21

Source: Author

Overall, these results are relatively consistent with the previous literature as most of the owners from different sub-sectors do not see the importance of formal training. Avcikurt (2003) and Diaz-Chao et al. (2016), for instance, note that the majority of the hotel and travel agency owners in their studies had not obtained any formal training and thus, possessed no contemporary management background. These results are relatively similar to the outcomes reported in the studies of restaurants and handicrafts as most of the owners compensated for the lack of formal training and higher education with considerable years of working experience (Chen & Elston, 2013; Gautam, 2016).

5.2.10 Ownership

With regards to the ownership of these businesses, the following Table 5.19 shows that most of them, 86.7% (*n*=104) are individually owned. Only a small percentage of SMTEs in this sample in Terengganu are jointly owned, 13.3% (*n*=16).

Table 5.19 – Ownership

Ownership	Percentage (%)	Sample Size (*n*)
Individually-owned	86.7	104
Jointly-owned	13.3	16

Source: Author

This result is similar to the profile of small and medium-sized businesses in United Arab Emirates (UAE) and Cornwall in the UK (Ahmad, 2015; Williams et al., 1989). For example, Ahmad (2015) revealed that 63.5% of hotel businesses in the UAE are individually-owned, followed by 36.5% which are jointly-owned. In Cornwall, it is reported that 70% of the tourism businesses are owned by a single individual and only 15% are in limited public companies (Williams et al., 1989)

5.2.11 Years of Business

For the years of their businesses, the distribution illustrated in the subsequent Table 5.20 shows that most of the SMTEs in Terengganu have been in operation for more than 25 years (30.8%, *n*=37) and this were followed by the relatively new businesses within the sectors with up to 6 years of operation. The spread for the rest of the SMTEs are quite even with the businesses in operation ranging from 7 to 24 years and the percentages are from 10.9% (*n*=13) to 15.8% (*n*=19).

Table 5.20 – Years of Business

Years of Business	Percentage (%)	Sample Size (*n*)
0-6	28.3	34
7-12	14.1	17
13-18	15.8	19
19-24	10.9	13
More than 25	30.8	37

Source: Author

When the percentages were examined specifically for each type of SMTE (see Table 5.21), interesting patterns emerged within the percentages of travel agencies and handicrafts. In the case of travel agencies, there are not many of them that have been in operation for more than 19 years, with none of the businesses having been in existence between 19 and 24 years and only 7.7% of agencies have been in the business for more than 25 years. This distribution can also be attributed to the high percentages of businesses which closed (65.4% of travel agencies of the sample size are closed or are double listed in the sampling frame, which is the highest compared to other types of SMTEs) due to the economic conditions during the data collection.

Table 5.21 – Percentage of Years of Business Operations in Four Different Types of SMTEs

SMTEs	Years of Business	Percentage (%)	Sample Size (*n*)
Hotels & Resorts	0-6	30.3	7
	7-12	13.0	3
	13-18	17.4	4
	19-24	21.7	5
	More than 25	17.4	4
Travel Agencies	0-6	46.2	6
	7-12	23.1	3

	13-18	23.1	3
	19-24	0.0	0
	More than 25	7.7	1
Restaurants	0-6	26.8	11
	7-12	21.9	9
	13-18	21.9	9
	19-24	4.9	2
	More than 25	24.4	10
Handicrafts	0-6	23.3	10
	7-12	4.7	2
	13-18	7.0	3
	19-24	14.0	6
	More than 25	51.2	22

Source: Author

In contrast to the travel agencies, the majority of the handicraft businesses (51.2%) have been in operation for more than 25 years despite the challenging economic conditions. This result is in line with the previous study of Abdul-Halim et al*.* (2011) on the handicrafts sub-sector in Terengganu, where 63.9% of the owners had been in operation for 11 to 21 years at that time. With this distribution in mind, it is worth mentioning that most of the handicrafts enterprises who participated in the study were the *batik* producers or sellers, who have been in this business for generations.

Another interesting pattern that can be noted from Table 5.21 is that the majority of the hotels and resorts, travel agencies and restaurants are relatively new in each respective sub-sector as 30.3%, 46.2% and 26.8% of them belong to the group that have been in operation for up to 6 years. These results are expected considering the increasing influence of the Malaysian tourism sector in terms of its impacts on the social and economic development of the country (Jaafar et al*.,* 2011; Holjevac, 2003).

In the context of restaurants, for example, it is important to note that the sub-sector is extremely competitive with a high turnover and there are always new restaurants replacing the older restaurants in terms of the yearly revenue. This can be clearly observed in China, where it was reported by Chen and Elston (2013) that 89.1% of the restaurants which participated in their study had only been in operation for up to 5 years. This is consistent in the context of Terengganu, where a high proportion of the restaurants businesses are relatively young.

5.2.12 Business Plan

Apart from their years of businesses, it can also be observed that almost half of the SMTEs which participated in the current study (49.2%, *n*=59) do not have a business plan. Based on the following Table 5.22, only 50.8% (*n*=61) of the SMTEs that do have a business plan.

Table 5.22 – Business Plan

Business Plan	Percentage (%)	Sample Size (*n*)
Yes	50.8	61
No	49.2	59

Source: Author

Like the previously reported dimensions of the descriptive analysis, the proportion of businesses having a business plan are different for each type of SMTE. Referring to Table 5.23, the majority of hotels and resorts and travel agencies do have a business plan, with 82.6% and 76.9% respectively. It is a different scenario with the restaurants and handicrafts businesses, where most of the business owners admitted to never having a business plan since the start-up of their enterprise with the percentages recorded at 63.4% and 60.5% correspondingly.

Table 5.23 – Percentage of SMTEs with Business Plan

SMTEs	Categories	Percentage (%)	Sample Size (*n*)
Hotels & Resorts	Yes	82.6	19
	No	17.4	4
Travel Agencies	Yes	76.9	10
	No	23.1	3
Restaurants	Yes	36.6	15
	No	63.4	26
Handicrafts	Yes	39.5	17
	No	60.5	26

Source: Author

These results can be attributed to the existence of a systematic business structure and management team in both sub-sectors of accommodation and travel agencies. Such businesses need to have a proper roadmap of doing business considering the scale of operation as well as the scope of the management task (such as booking, ticketing, human resource, financial) that needs to be achieved in running a proper hotel or a resort or a travel agency. In fact, the business plan is helpful for them in attracting investors or banks for business capital considering that these types of businesses need a substantial amount of capital in maintaining or sustaining operations as compared to restaurants and handicrafts in Terengganu. This translates to the distribution of their business capital as it is evident in the following part of the discussion that entrepreneurs of both restaurant and handicraft businesses depend heavily on their personal savings and families.

5.2.13 Business Capital

Table 5.24 presents the distributions of business capital categories based on four different types of SMTEs. Accordingly, most of the business owners had not sourced capital from banks or government agencies. Nevertheless, considerable percentages were recorded for the hotels and resorts (26.1%), travel agencies

(23.1%) and handicrafts (21.0%) that successfully managed to secure capital from the bank and government agencies as compared to the restaurants (7.3%). This, in a way, explains the inclination for most of the business owners of hotels and resorts and travel agencies (see Table 5.23) to have a business plan as a crucial tool for application of business capital from the banks and relevant government agencies.

Table 5.24 – Percentage of Business Capital in Four Different Types of SMTEs

SMTEs	**Business Capital Categories**	**Percentage (%)**	**Sample Size (*n*)**
Hotels & Resorts	Personal Savings	69.6	16
	Families	60.9	14
	Relatives	4.3	1
	Friends	4.3	1
	Bank	26.1	6
	Government Agencies	0.0	0
Travel Agencies	Personal Savings	84.6	11
	Families	53.8	7
	Relatives	7.7	1
	Friends	23.1	3
	Bank	15.4	2
	Government Agencies	7.7	1
Restaurants	Personal Savings	82.9	34
	Families	46.3	19
	Relatives	2.4	1
	Friends	0.0	0
	Bank	4.9	2
	Government Agencies	2.4	1
Handicrafts	Personal Savings	72.1	31
	Families	44.2	21
	Relatives	4.7	2
	Friends	0.0	0

	Bank	14.0	6
	Government Agencies	7.0	3

Source: Author. *Note: Percentages do not sum up to 100 due to multiple sources of financing being used by some.

These outcomes are relatively similar with the results in Jaafar et al.'s (2011) research, where it was reported that 27.9% of the small and medium-sized hotel owners in Kelantan, Pahang and Terengganu depended on loans from the Malaysian commercial banks and government agencies. The majority of the business owners are heavily reliant on their own personal savings for business capital with 69.6% for hotels and resorts, 84.6% for travel agencies, 82.9% for restaurants and 72.1% for handicrafts. This was followed by the business capital of families with the hotels and resorts at 60.9%, travel agencies at 53.8%, restaurants at 46.3% and handicrafts at 44.2%. These outcomes are consistent with the findings of previous research as most of the SMTE owners use their personal and family capital to finance the start-up and operation of their respective enterprises (Verheul & Thurik, 2001; Ozer & Yamak, 2000; Page et al*.,* 1999; Andriotis, 2002; Szivas, 2001; Williams et al*.,* 1989). As for the capital from friends and relatives, there are not many business owners who used these for their business operation. Interestingly, 30.8% of travel agencies owners stated that they managed to obtain the business capital from their relatives and friends.

5.2.14 Number of Employees

Reviewing the figures in Table 5.25, it is evident that the majority of SMTEs have up to 15 employees with figure for hotels and resorts being 78.1%, restaurants, 92.5% and handicrafts, 61.7%. In the same vein, there are no travel agencies involved in this study that employed more than 10 employees. However, a small percentage of hotels and resorts, as well as restaurants, have more than 36 employees, 8.6% and 2.4% respectively.

Table 5.25 – Percentage of Employees in Four Different Types of SMTEs

SMTEs	**Number of Employees**	**Percentage (%)**	**Sample Size (*n*)**
Hotels and Resorts	1-5	30.4	7
	6-10	17.4	4
	11-15	30.3	7
	16-20	12.9	3
	21-35	0.0	0
	36-40	4.3	1
	More than 41	4.3	1
Travel Agencies	1-5	66.3	9
	6-10	30.8	4
	More than 11	0.0	0
Restaurants	1-5	46.3	19
	6-10	34.1	14
	11-15	12.1	5
	16-20	0.0	0
	21-25	2.4	1
	26-30	2.4	1
	31-35	0.0	0
	36-40	2.4	1
	More than 41	0.0	0
Handicrafts	1-5	31.4	27
	6-10	25.7	12
	11-15	4.6	2
	16-20	2.3	1
	21-25	2.3	1
	26-30	2.3	1
	More than 31	0.0	0

Source: Author

For the UK, Lashley and Rowson (2010, 2007) found that 95% of the small tourism and hospitality firms (hotels, guest houses, cafes and pubs) are often operated by family and they hire fewer than 50 employees (small firms) and 75% employ 10 or fewer employees (micro-firms). A survey of Spanish small and medium-sized travel agencies revealed that 94.2% of these businesses employed 1 to 9 employees and this was followed by 4.4% of firms with 10 to 19 employees and 1.4% with 20 to 50 employees (Diaz-Chao et al., 2016). The results for the handicraft sub-sector are also similar to the international literature.

For instance, the majority of such businesses in Nepal hire less than 10 employees, 38.0% (Gautam, 2016). As for the restaurants, Chen and Elston (2013) reported that 93.1% of the businesses hire 2 to 10 employees with 6.9% recorded for businesses that have 11 to 30 employees at their premises. Based on these general outcomes reported in the previous literature, it can be observed that the number of employees hired across the four types of SMTEs in Terengganu are within the general scope that characterises a business as a small or medium-sized enterprise.

With regards to the distribution breakdown of full-and-part time employees (see Table 5.26), most of these SMTEs have a workforce of up to 15 full-time employees with the percentages for hotels and resorts at 73.6%, travel agencies at 92.3%, restaurants at 78.0% and handicrafts at 93.1%.

Table 5.26 – Percentage of Full-time and Part-time Employees in Four Different Types of SMTEs

SMTEs	**Categories**	**Number of Employees**	**Percentage (%)**	**Sample Size (*n*)**
Hotels and Resorts	Full-time	0	4.3	1
		1-5	34.7	8
		6-10	17.2	4
		11-15	21.7	6
		16-20	12.9	3

		21-30	0.0	0
		31-35	4.3	1
		36-40	4.3	1
	Part-time	0	82.6	19
		1-5	13.0	3
		6-10	4.3	1
Travel Agencies	Full-time	0	7.7	1
		1-5	69.3	9
		6-10	23.0	3
		11-40	0.0	0
	Part-time	0	84.6	11
		1-5	15.4	2
		6-10	0.0	0
Restaurants	Full-time	0	14.6	6
		1-5	39.1	16
		6-10	29.2	12
		11-15	9.7	4
		16-20	0.0	0
		21-25	2.4	1
		26-30	2.4	1
		31-35	0.0	0
		36-40	2.4	1
	Part-time	0	75.6	31
		1-5	21.9	9
		6-10	2.4	1
Handicrafts	Full-time	0	2.3	1
		1-5	60.5	26
		6-10	28.0	12
		11-15	4.6	5
		16-20	0.0	0
		21-25	2.3	1
		26-30	2.3	1

		31-40	0.0	0
	Part-time	0	83.7	36
		1-5	14.0	6
		6-10	2.3	1

Source: Author

As for the part-time employees, the distribution reflects that the majority of these businesses do not employing many part timers. Looking specifically at the recorded percentages, there are 82.6% of hotels and resorts, 84.6% of travel agencies, 75.6% of restaurants and 83.7% of handicrafts that do not have part-timers within their establishments. In fact, it is the same within the context of the family members' employment, where most of the hotels and resorts (69.6%) and travel agencies (53.8%) opted to employ staff outside of the family circle (refer the subsequent Table 5.27).

Table 5.27 – Percentage of Family Members Employed in Four Different Types of SMTEs

SMTEs	**Number of Employees of Family Members**	**Percentage (%)**	**Sample Size (*n*)**
Hotels & Resorts	0	69.6	16
	1-5	30.4	7
	More than 5	0.0	0
Travel Agencies	0	53.8	7
	1-5	46.2	6
	More than 5	0.0	0
Restaurants	0	31.7	13
	1-5	48.8	20
	6-10	17.0	7
	11-15	0.0	0
	16-20	2.4	1
Handicrafts	0	37.2	16
	1-5	60.4	26

	6-10	2.3	1
	More than 10	0.0	0

Source: Author

However, it is a different case with the handicrafts and restaurants as a considerable percentage of business owners hire their family members as part of their enterprises in these sub-sectors. 48.8% of the restaurants and 60.4% of handicrafts businesses have family members as part of their workforce. This might be due to the intention of the entrepreneurs to keep their businesses within the family (Jaafar et al., 2011).

5.2.15 Annual Sales Turnover

Annual sales turnover is one of the crucial dimensions in the measurement of business performance, especially in relation to the entrepreneurs and their SMTEs profile, networking characteristics and the absorptive capacity. Referring to Table 5.28, which shows the SMTEs annual sales turnover, most of the businesses (35.0%, *n*=42) have a sales turnover of less than RM100,000 (less than £17,871.5), which is the least amount that the businesses could make annually. This is then followed by the businesses with an annual sales turnover that range from RM300,000 to RM1,199,999 (£53,614.4 – £214,457.8), which is categorised as the low-turnover group within the distribution. As for the middle-turnover group, there are only 7.5% (*n*=9) of SMTEs that have an annual sales turnover between RM1,200,000 and RM2,999,999 (£214,457.9 to £536,144.8). The lowest percentage of the SMTEs annual sales turnover is recorded in the high-sales turnover group businesses at 5.0% (*n*=6).

Table 5.28 – Annual Sales Turnover

Annual Sales Turnover (RM)	**Annual Sales Turnover (£)**	**Percentage (%)**	**Sample Size (*n*)**
No response		13.3	16
Less than RM100,000	Less than £17,871.5	35.0	42

RM100,001 – RM199,999	£17,871.6 – £35,742.8	10.8	13
RM200,000 – RM299,999	£35,742.9 – £53,614.3	10.8	13
RM300,000 – RM1,199,999	£53,614.4 – £214,457.8	17.5	21
Total Percentage of Low Sales Turnover Group		**74.1**	**89**
RM1,200,000 – RM2,099,999	£214,457.9 – £357,301.3	5.0	6
RM2,100,000 – RM2,999,999	£357,301.3 – £536,144.8	2.5	3
Total Percentage of Middle Sales Turnover Group		**7.5**	**9**
RM3,000,000 – RM9,999,999	£536,145.0 – £1,787,150.0	0.8	1
RM10,000,000 – RM14,999,999	£1,787,150.1 – £2,502,010.0	4.2	5
Total Percentage of High Sales Turnover Group		**5.0**	**6**

Source: Author. Note: Conversion from RM to £ is based on Malaysia's constant prices in 2016.

Examining the distribution breakdown of the annual sales turnover for each type of SMTE (see Table 5.29), it is revealed that most of the hotels and resorts, restaurants and handicrafts were in the low sales turnover group with the percentages recorded at 60.7%, 78.0% and 90.8% respectively. Despite the fact that some of the hotels and resorts and restaurants recorded the highest number of employees, both groups do not have any single business that can be categorised as one of the high sales turnover groups. In fact, there are only small percentages of hotels and resorts and restaurants that can be categorised as a middle level of sales turnover group with 13.0% and 9.7% correspondingly. On the other hand, the distribution for the handicrafts also presents a unique situation as there is not a single representative at the middle level of sales turnover. Instead, there is a small percentage of the handicraft businesses that belong to the high sales turnover group, 4.6%. Interestingly, the distribution for travel agencies is recorded as extreme from one end to another, with 30.8% of them equally belonging to both ends of the low and high-sales turnover groups. Specifically, some of the handicraft businesses and travel agencies produce the highest annual sales turnover among all SMTEs, which range from RM10,000,000 to RM14,000,000 (£1,787,150.1 to £2,502,010.0).

Table 5.29 – Percentage of Annual Sales Turnover in Four Different Types of SMTEs

SMTEs	Group Categories	Sales Turnover (RM)	Sales Turnover (£)	Percentage (%)	Sample Size (*n*)
Hotels & Resorts	No Response			26.1	6
	Low-turnover	Less than RM100,000	Less than £17,871.5	13.0	3
		RM100,001 – RM199,999	£17,871.6 – £35,742.8	4.3	1
		RM200,000 – RM299,999	£35,742.9 – £53,614.3	4.3	1
		RM300,000 – RM1,199,999	£53,614.4 – £214,457.8	39.1	9
	Total Percentage of Low Sales Turnover Group			**60.7**	**14**
	Middle-turnover	RM1,200,000 – RM2,099,999	£214,457.9 – £357,301.3	8.7	2
		RM2,100,000 – RM2,999,999	£357,301.3 – £536,144.8	4.3	1
	Total Percentage of Middle Sales Turnover Group			**13.0**	**3**
	High-turnover	RM3,000,000 – RM9,999,999	£536,145.0 – £1,787,150.0	0.0	0
		RM10,000,000 – RM14,000,000	£1,787,150.1 – £2,502,010.0	0.0	0
	Total Percentage of High Sales Turnover Group			**0.0**	**0**
Travel Agencies	No Response			23.1	3
	Low-turnover	Less than RM100,000	Less than £17,871.5	23.1	3
		RM100,001 – RM199,999	£17,871.6 – £35,742.8	0.0	0
		RM200,000 – RM299,999	£35,742.9 – £53,614.3	7.7	1

		RM300,000 – RM1,199,999	£53,614.4 – £214,457.8	0.0	0
	Total Percentage of Low Sales Turnover Group			**30.8**	**4**
	Middle-turnover	RM1,200,000 – RM2,099,999	£214,457.9 – £357,301.3	7.7	1
		RM2,100,000 – RM2,999,999	£357,301.3 – £536,144.8	7.7	1
	Total Percentage of Middle Sales Turnover Group			**15.4**	**2**
	High-turnover	RM3,000,000 – RM9,999,999	£536,145.0 – £1,787,150.0	0.0	0
		RM10,000,000 – RM14,000,000	£1,787,150.1 – £2,502,010.0	30.8	4
	Total Percentage of High Sales Turnover Group			**30.8**	**4**
Restaurants	No Response			12.2	5
	Low-turnover	Less than RM100,000	Less than £17,871.5	43.9	18
		RM100,001 – RM199,999	£17,871.6 – £35,742.8	12.2	5
		RM200,000 – RM299,999	£35,742.9 – £53,614.3	7.3	3
		RM300,000 – RM1,199,999	£53,614.4 – £214,457.8	14.6	6
	Total Percentage of Low Sales Turnover Group			**78.0**	**32**
	Middle-turnover	RM1,200,000 – RM2,099,999	£214,457.9 – £357,301.3	7.3	3
		RM2,100,000 – RM2,999,999	£357,301.3 – £536,144.8	2.4	1
	Total Percentage of Middle Sales Turnover Group			**9.7**	**4**
	High-turnover	RM3,000,000 – RM9,999,999	£536,145.0 – £1,787,150.0	0.0	0
		RM10,000,000 – RM14,000,000	£1,787,150.1 – £2,502,010.0	0.0	0
	Total Percentage of High Sales Turnover Group			**0.0**	**0**

Handicrafts	No Response			4.7	2
	Low-turnover	Less than RM100,000	Less than £17,871.5	41.9	18
		RM100,001 – RM199,999	£17,871.6 – £35,742.8	16.3	7
		RM200,000 – RM299,999	£35,742.9 – £53,614.3	18.6	8
		RM300,000 – RM1,199,999	£53,614.4 – £214,457.8	14.0	6
	Total Percentage of Low Sales Turnover Group			**90.8**	**41**
	Middle-turnover	RM1,200,000 – RM2,099,999	£214,457.9 – £357,301.3	0.0	0
		RM2,100,000 – RM2,999,999	£357,301.3 – £536,144.8	0.0	0
	Total Percentage of Middle Sales Turnover Group			**0.0**	**0**
	High-turnover	RM3,000,000 – RM9,999,999	£536,145.0 – £1,787,150.0	2.3	1
		RM10,000,000 – RM14,000,000	£1,787,150.1 – £2,502,010.0	2.3	1
	Total Percentage of High Sales Turnover Group			**4.6**	**1**

Source: Author. Note: Conversion from RM to £ is based on Malaysia’s constant prices in 2016.

5.3 Summary

Overall, this chapter is a platform to understand the characteristics of the business owners and their SMTEs. Nevertheless, it is also important to bear in mind the additional qualitative results for the other characteristics' dimensions such as motivations in starting-up the business, nature of employment and culture of networking as presented in Chapter 7 of this thesis. These additional qualitative perspectives would further complement the quantitative results reported in this chapter in achieving the first research objective.

As previously discussed, this current research is the first study that attempts to analyse the four different types of SMTEs of hotels and resorts, travel agencies, restaurants and handicrafts in Terengganu. This notion is further validated by the previous systematic review results, which clearly reflect the scarcity of papers on the different tourism sub-sectors or inter-sectoral comparisons within a specific research setting. For this reason, the distinctiveness of characteristics for each different type of SMTE is crucial in providing a better understanding of Terengganu's tourism sector and its entrepreneurs.

Looking back at the interpretations and discussions in the previous section, the distinctiveness of the attributes for each sub-sector can be observed among the business owners within the level of education, years of working experience inside and outside of the tourism sector, participation in the formal general and tourism business training, years of business operations, business plan and the annual sales turnover. The distinctiveness of each of the four different sub-sectors of SMTEs is examined further in Chapters 7, 8 and 9, which present an additional review of the literature and discussion on the extent of the SMTE's heterogeneity within the region.

As for gender, the results provide important insights into the social dynamic within the context of SMTEs in Terengganu. This dynamic is interesting as it has been well documented in the literature that most of the SMTEs in many countries are predominantly managed by men, especially in Malaysia, due to the influence of traditionally gender-accepted roles within the society (Ahmad, 2015; Avcikurt, 2003; Williams et al*,* 1989; Jaafar et al*.*, 2011).

All things considered, given the distinctiveness of several characteristics dimensions between SMTEs and the fairly balanced percentages of ownership between the men and women in Terengganu, the opportunity exists to research further these two and other key dimensions and provides a more comprehensive perspective on their potential impacts in the next phase of analysis on networks, absorptive capacity and business performance. Thus, the subsequent analysis is to utilise this premise by focusing on the descriptive and inferential outcomes of networks, absorptive capacity and business performance.

CHAPTER 6
INTERLINKAGES OF THE CHARACTERISTICS OF ENTREPRENEURS AND SMTEs, NETWORKS, ABSORPTIVE CAPACITY AND BUSINESS PERFORMANCE

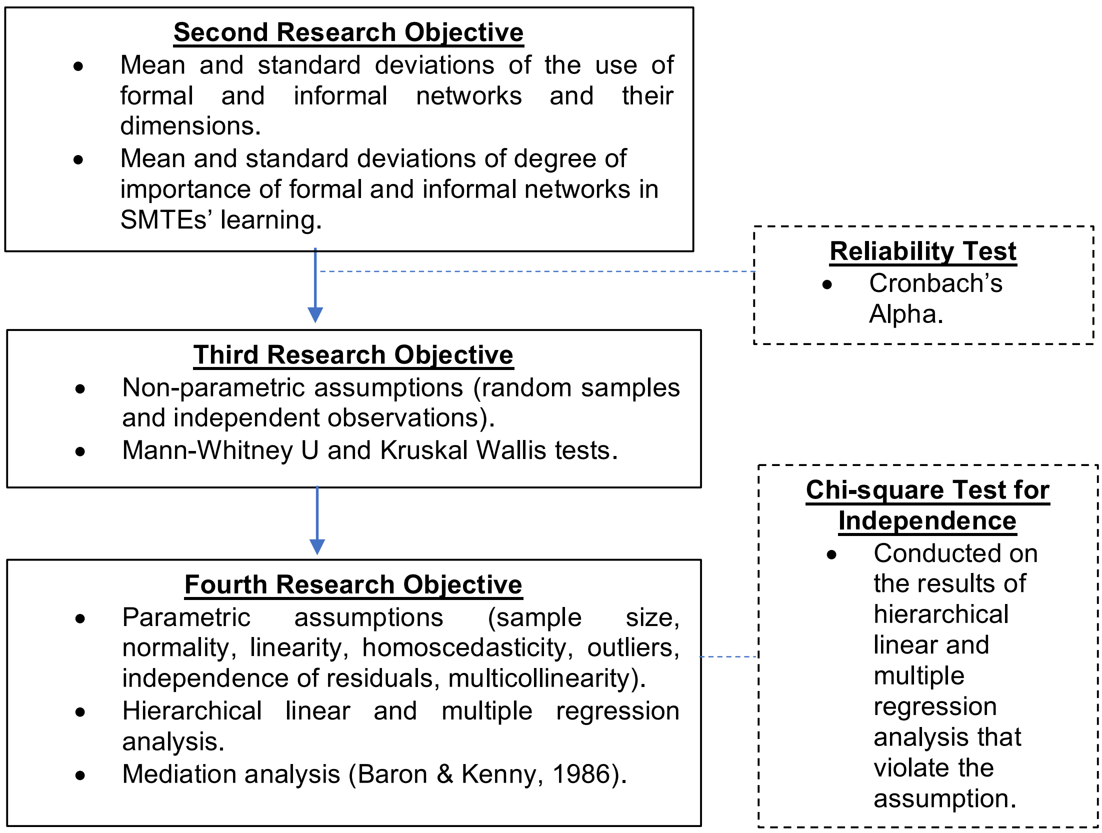
6.1 Introduction

The relationships between entrepreneurs, SMTEs, networks, knowledge and business performance are complex. To identify the relationships requires a systematic approach, and in this chapter the aim is to analyse and presented the results of the interlinkages in a sequential manner. First, the characteristics of networks are analysed in the form of the descriptive results of mean and standard deviation scores. In the same vein, mean and standard deviation scores are also used to identify the degree of importance of formal and informal networks as a source of learning for entrepreneurs and SMTEs in their operations. This is to study the second research objective – to understand the characteristics of the networks used by entrepreneurs and SMTEs.

After this section, the results of the reliability testing together with a discussion on their validity are presented. With reliable and valid results, the subsequent phase of inferential analysis involved two main components of non-parametric and parametric analysis. Specifically, the non-parametric analysis in the form of Mann-Whitney U and Kruskal-Wallis tests was conducted and their results illustrate the variation in the significant differences of the 17 characteristics of entrepreneurs and SMTEs on the importance of formal and informal networks in SMTE's learning. The interpretation of these results is important in researching the third research objective – to examine the relationships between characteristics of entrepreneurs and SMTEs and the importance of formal and informal networks in increasing the knowledge of SMTEs.

In the context of the parametric statistical analysis, it is imperative to fulfil all the assumptions, such as normality, linearity, homoscedasticity, sample size, outliers, independence of residuals and multicollinearity, in order to ensure the precision or accuracy of the results in researching the fourth research objective – to identify the mediating influence of absorptive capacity on entrepreneurs' networks and the performance of SMTEs. With the regression model estimations, the analysed relationships that violated the assumptions of parametric analysis were further tested through the non-parametric technique of the chi-square test for independence, where the assumptions are less stringent. Given the large number of variables and relationships that were analysed through the hierarchical linear and multiple regression analysis, there were variations or differences in terms of the fulfilment of the assumptions across all the examined relationships. For this reason, the discussions on the assumptions are kept to a minimum and are addressed in details in **Appendix 6**. Figure 6.1 presents a diagram on the different objectives and stages of analysis for a better understanding of the flow of results, interpretations and discussions presented in this chapter.

Figure 6.1 – Research Objectives and Stages of Analysis



Source: Author

6.2 Descriptive Results of the Use of Formal and Informal Networks

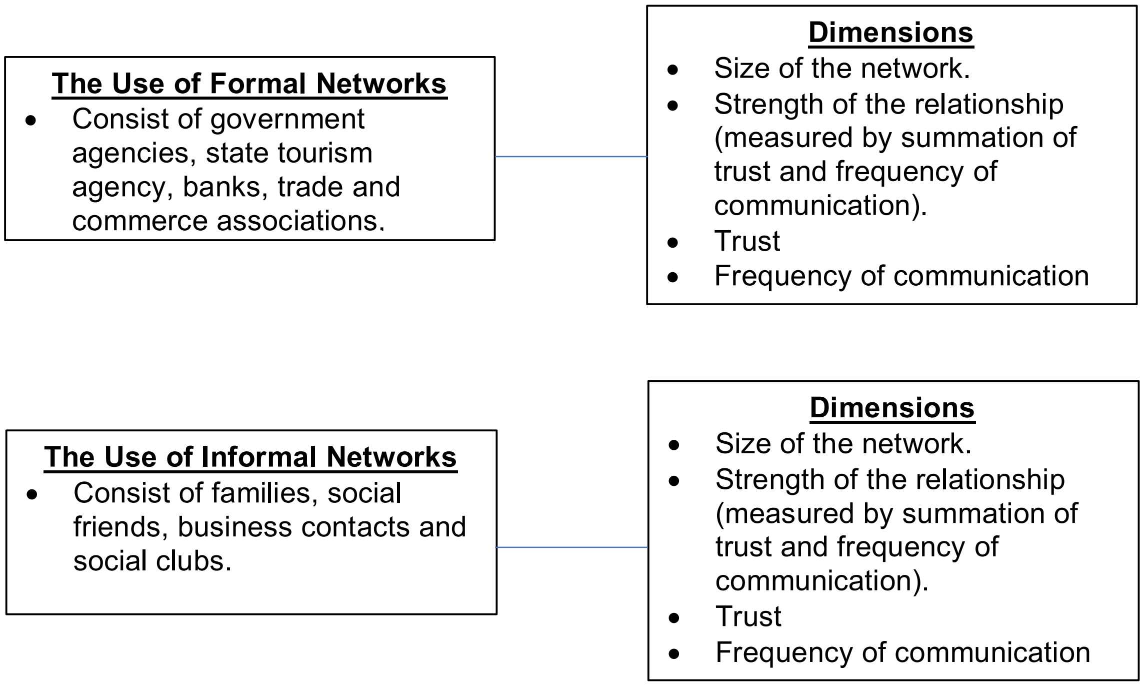
The descriptive analysis for each variable of this research can be divided into two main sections of: (1) Characteristics of formal and informal networks; (2) Degree of importance of formal and informal networks in SMTEs' learning. The measures of mean (M) and standard deviation (DV) are used to summarise the descriptive interpretations of variables of the use of formal and informal networks and their four dimensions (size, strength, trust, frequency of communication) as well as the importance of both networks in SMTEs' learning. Accordingly, the following sub-section addressed the variable of formal and informal networks with the further elaboration of its mean (*M*) and standard deviation (*DV*) scores.

6.2.1 The Measurement Structure for the Use of Formal and Informal Networks

The size of the network, the strength of the relationship, trust and frequency of communication are the four dimensions that apply to both use of formal and informal networks. Out of these four, only the strength of the relationship consists of the summation of two sets of dimensions, namely, frequency of communication and trust (see the study of Fernandez-Perez et al., 2013). The other three dimensions of size of the network, trust and frequency of communication were operationalized as a single dimension that consists of 5-point Likert scale items such as government agencies, banks, social friends and others (see Figure 6.2).

Formal networking consists of relationships with 6 types of actors (government agencies, state tourism agency, banks, trade associations, chamber of commerce, suppliers). Informal networking involves 4 types of actors (families, social friends, business contacts and social clubs). However, the mean and standard deviation scores for the two items of trade associations and chamber of commerce were summated together and renamed as 'trade and commerce associations'. This decision was taken as there were cases of entrepreneurs participating in this study who considered these two organisations as the same during the quantitative survey.

Figure 6.2 – The Use of Formal and Informal Networks and Its' Dimensions and Items.



Source: Author

In other words, the summation of multiple items for the use of formal networks refers to the sum of 5 individual item scores while the use of informal networks is linked to the total scores of 4 individual items. For a better understanding, Figure 6.2 shows the different connections between the respective variables, dimensions and items. The reason for the differentiation is to identify the difference of the attributes between the use of formal and informal networks in terms of the four mentioned dimensions of size, strength, trust and frequency of communication. With these different attributes of dimensions, it is interesting to see the level of their importance within the business operations and their influences on the absorptive capacity and business performances of 4 different sub-sectors SMTEs in Terengganu. For this reason, it is important to have descriptive interpretations for both use of formal and informal networks through the descriptive analysis of mean (*M*) and standard deviation (*SD*) scores.

6.2.2 Mean and Standard Deviation Scores for Size of the Networks

In line with the presented structure of the network's measurement, Table 6.1 depicts the mean (*M*) and standard deviation (*SD*) scores for all the item(s) that measure the size of the networks for the use of both formal and informal networks. All the items are measured on a 5-point Likert scale which ranged from; (1) Very Low, (2) Below Average, (3) Average, (4) Above Average, to (5) Very High. As reflected in Table 6.1, it appears that the size of informal networks (*M*=3.08, *SD*=.80) for owners from all sub-sectors of SMTEs is slightly better compared to their formal networks (*M*=2.44, *SD*=.87). Specifically, the mean score for informal networks is in the range of 'average' and 'above average' while the range for formal networks is from 'very low' to 'average'. In addition, the low standard deviation scores for both networks show that the data is closely clustered around the mean. This is indicative of consistent responses from entrepreneurs on the size of their contacts from both formal and informal networks and hence, presents an accurate representation of the mean scores.

It is also important to note that the mean scores for the size of the formal (*M*=3.07) and informal networks (*M*=3.25) of entrepreneurs from travel agencies are quite close to each other as compared to the rest of the sub-sectors. This is attributed by the relatively higher mean scores for the suppliers (*M*=3.46), state tourism agency (*M*=3.15) and banks (*M*=3.08). For the size of the supplier contacts particularly, both restaurant (*M*=3.32, *SD*=1.42) and handicraft (*M*=4.07, *SD*=1.14) businesses also recorded high mean scores although the scores of their standard deviations suggest wider variability or spread of responses by the owners. This was also the case with entrepreneurs of travel agencies as their standard deviation scores for the supplier is 1.05 as compared to the low spread of scores for the state tourism agency (*SD*=.90) and banks (*SD*=.76). Given the pattern of the results, this highlights the appreciation of the owners from travel agencies, restaurants and handicrafts towards the role of suppliers in their business operations as compared to the other contacts in formal networks. In the same vein, the results also reflect the importance of the state tourism agency and banks for the owners of travel agencies.

Table 6.1 – Mean (*M*) and Standard Deviation (*SD*) Scores for the Size of the Networks

Type of Network	Hotels & Resorts (N=23)		Travel Agencies (N=13)		Restaurants (N=41)		Handicrafts (N=43)		SMTEs (N=120)	
	Mean (M)	Standard Deviation (SD)	Mean (M)	Standard Deviation (SD)	Mean (M)	Standard Deviation (SD)	Mean (M)	Standard Deviation (SD)	Mean (M)	Standard Deviation (SD)
Formal	2.49	1.02	3.07	.69	2.03	.78	2.61	.78	2.44	.87
Government Agencies	2.48	1.47	2.85	.80	2.00	1.18	2.40	1.31	2.33	1.27
State Tourism Agency	2.87	1.25	3.15	.90	1.68	1.13	2.42	1.38	2.33	1.32
Banks	2.22	1.17	3.08	.76	1.54	.92	1.88	1.16	1.96	1.13
Trade & Commerce Associations	2.30	1.17	2.81	1.11	1.62	.84	2.30	1.07	2.13	1.08
Suppliers	2.57	1.24	3.46	1.05	3.32	1.42	4.07	1.14	3.46	1.35
Informal	3.24	.84	3.25	.96	2.99	.65	3.03	.86	3.08	.80
Families	3.87	1.18	3.62	1.26	4.24	.83	4.05	1.29	4.03	1.13
Social Friends	3.48	.95	3.46	1.13	3.71	1.08	3.02	1.35	3.39	1.19
Business Contacts	3.65	.71	3.69	1.11	2.85	1.41	3.42	1.33	3.30	1.27
Social Clubs (e.g. Sport and Recreation Club)	1.96	1.36	2.23	1.36	1.15	.65	1.65	1.21	1.60	1.16

Source: Author

For the informal networks, most of the owners across the four sub-sectors have a fairly high number of informal contacts of families and friends, where the mean scores range from ‘average’ to ‘above average’. Evidently, the mean scores for families by the entrepreneurs of restaurants (*M*=4.24, *SD*=.83) and handicrafts (*M*=4.05*, SD*=1.29) are higher as compared to the other two sub-sectors although the standard deviation scores reflect a contrasting pattern of spreads. These outcomes are expected considering that the role played by families and friends is vital especially during the early days of the business operation.

This is also in line with the social embedded theory, where most of the business owners prefer to engage with their informal contacts as they can get resources such as reputation, customer contacts and other business intelligence without the constraints of legal contracts or ownership issues (Zehrer & Raich, 2010, Lewis, 2002; Grant & Baden-Fuller, 2004; Witt, 2004). Interestingly, entrepreneurs from all four sub-sectors of SMTEs do not put much emphasis on the role of the social clubs (*M*= 1.60, *SD*= 1.16) as they are not actively seeking to be a member of any social clubs or engaging them for their business purposes.

6.2.3 Mean and Standard Deviation Scores for the Strength of the Relationship

Table 6.2 presents the mean and standard deviation scores for the strength of the relationship. As mentioned beforehand, this factor was based on the summation of two other factors of trust and frequency of communication. The five-point Likert scale for the factor of trust ranged from: (1) Distant, (2) Slightly Distant, (3) Fairly Distant, (4) Trustworthy, to (5) Very Trustworthy. As for the scale of frequency of communication, it ranged from; (1) Very Rarely, (2) Rarely, (3) Occasionally, (4) Frequently, to (5) Very Frequently. Similar to the previous result, the entrepreneurs across the four sub-sectors of SMTEs have a closer relationship with their informal contacts (*M*=3.03, *SD*=.74) as compared to their formal ones (*M*=2.37, *SD*=.80).

Table 6.2 – Mean (*M*) and Standard Deviation (*SD*) Scores for the Strength of the Relationship

Type of Network	Hotels & Resorts (N=23)		Travel Agencies (N=13)		Restaurants (N=41)		Handicrafts (N=43)		SMTEs (N=120)	
	Mean (M)	Standard Deviation (SD)	Mean (M)	Standard Deviation (SD)	Mean (M)	Standard Deviation (SD)	Mean (M)	Standard Deviation (SD)	Mean (M)	Standard Deviation (SD)
Formal	2.41	.75	2.95	.61	2.06	.80	2.47	.78	2.37	.80
Government Agencies	2.15	1.24	2.77	.88	1.99	1.19	2.14	1.22	2.16	1.19
State Tourism Agency	2.74	1.01	3.15	.77	1.60	1.60	2.10	1.14	2.17	1.15
Banks	2.17	.86	2.96	.80	1.65	1.65	2.01	1.07	2.02	1.02
Trade & Commerce Associations	2.03	.88	2.40	1.08	1.55	1.55	2.20	1.03	1.97	.99
Suppliers	2.96	1.08	3.46	1.01	3.52	1.22	3.87	1.24	3.53	1.21
Informal	3.08	.85	3.27	.94	2.96	.60	2.99	.74	3.03	.74
Families	3.85	1.21	3.89	1.19	4.29	.84	4.12	1.14	4.10	1.07
Social Friends	3.33	.96	3.31	1.13	3.55	1.02	2.99	1.31	3.30	1.15
Business Contacts	3.26	.93	3.62	1.18	2.88	1.28	3.33	1.26	3.19	1.21
Social Clubs (e.g. Sport and Recreation Club)	1.89	1.21	2.27	1.44	1.13	.42	1.53	.97	1.55	1.00

Source: Author

Basically, this indicates that many of the business owners have 'fairly distant' relationships and have been 'rarely' to 'occasionally' in contact with their formal networks, namely the people from government agencies (*M*=2.16, *SD*=1.19), the state tourism agency (*M*=2.17, *SD*=1.15) and banks (*M*=2.02, *SD*=1.02). However, this is different in the relationship with the state tourism agency specifically. This is reflected in Table 6.2 that the owners of travel agencies have a stronger relationship (*M*=3.15) with the agency as compared to the other sub-sectors. This can be considered as an accurate interpretation since the low standard deviation scores (*SD*=.77) suggest a small fluctuation in the responses of entrepreneurs from travel agencies. Besides that, business owners across the four sub-sectors have a 'distant' to 'slightly distant' relationship with the people from trade and commerce associations (*M*=1.97, *SD*=.99) as they are 'very rarely' to 'rarely' in contact. This is in line with the size of the networks result, where business owners do not have lots of people that they know from the trade and commerce associations.

In contrast, it seems that most of the business owners have a 'fairly distant' to 'trustworthy' relationship with their suppliers (*M*=3.53, *SD*=1.21) as they are 'occasionally' to 'frequently' in contact with each other. Although the standard deviation scores suggest a wider variability of responses on the strength of the relationship, it can be concluded that the positive results with the suppliers are attributed to the relative high mean scores recorded by owners of travel agencies (*M*=3.46, *SD*=1.01), restaurants (*M*=3.52, *SD*=1.22) and handicrafts (*M*=3.87, *SD*=1.24). For the informal relationships, a similar pattern with the results on the size of the network can be observed. Specifically, the owners of restaurants (*M*=4.29, *SD*=.84) and handicrafts (*M*=4.12, *SD*=1.14) are reported to have a strong relationship with their families.

These scores indicate that entrepreneurs of restaurants and handicrafts have a 'trustworthy to very trustworthy relationship' with their families and are 'frequently to very frequently' in contact. Despite this, it is also important to note the inconsistency of data associated with the owners of handicrafts due to the relatively high standard deviation score as compared to the owners of restaurants.

On the other hand, all four sub-sectors have the worst mean and standard deviation scores for their relationship with the social clubs as in these contexts business owners only have a ‘distant’ to ‘slightly distant’ relationship and are ‘very rarely’ to ‘rarely’ in contact.

6.2.4 Mean and Standard Deviation Scores for Trust

Focusing on trust as one of the dimensions of the strength of the relationship, Table 6.3 shows that the business owners of the four sub-sectors have a ‘fairly distant’ to ‘trustworthy’ relationship with their informal network (*M*=3.09, *SD*=.74), while the mean and standard deviation scores for the formal network (*M*=2.37, *SD*=.81) indicates that they have a ‘slightly distant’ to ‘fairly distant’ relationship.

Specifically, the owners of restaurants (*M*=3.73, *SD*=1.23) and handicrafts (*M*=3.95, *SD*=1.27) do not have someone within the formal networks that they consider as ‘trustworthy’ apart from the suppliers. This is reflected in Table 6.3, where all the mean scores for the rest of their contacts in the formal networks range from 1.54 to 2.21. In terms of the standard deviation scores for their trust in suppliers, it appears that the responses lack the consistency due to the greater spread than the mean. Apparently, this is also the case with the travel agencies with their relatively high mean (3.38) and standard deviation scores (1.04).

In the context of informal networks, entrepreneurs from the three sub-sectors of travel agencies, restaurants and handicrafts have ‘trustworthy’ to ‘very trustworthy’ relationships with their families. From the perspectives of all four sub-sectors, it appears that the business owners have ‘fairly distant’ to ‘trustworthy’ relationships with social friends (*M*=3.38, *SD*=1.20) and business contacts (*M*=3.18, *SD*=1.20), with the exception of social clubs (*M*=1.59, *SD*=1.09) as most of them are not active members and do not have many contacts from any social clubs.

Table 6.3 – Mean (*M*) and Standard Deviation (*SD*) Scores for Trust

Type of Network	**Hotels & Resorts (N=23)**		**Travel Agencies (N=13)**		**Restaurants (N=41)**		**Handicrafts (N=43)**		**SMTEs (N=120)**	
	Mean (M)	**Standard Deviation (SD)**	**Mean (M)**	**Standard Deviation (SD)**	**Mean (M)**	**Standard Deviation (SD)**	**Mean (M)**	**Standard Deviation (SD)**	**Mean (M)**	**Standard Deviation (SD)**
Formal	2.38	.80	2.85	.58	2.13	.83	2.47	.79	2.37	.81
Government Agencies	2.09	1.28	2.69	1.03	2.10	1.36	2.14	1.25	2.18	1.27
State Tourism Agency	2.65	1.11	3.15	.90	1.61	1.05	2.09	1.17	2.15	1.19
Banks	2.22	1.04	2.69	.85	1.66	1.04	1.93	1.12	1.98	1.09
Trade & Commerce Associations	1.98	.89	2.31	.95	1.54	.82	2.21	1.09	1.95	.99
Suppliers	2.96	1.07	3.38	1.04	3.73	1.23	3.95	1.27	3.63	1.24
Informal	3.10	.81	3.48	.93	3.07	.60	3.00	.74	3.09	.74
Families	3.87	1.25	4.23	1.17	4.41	.81	4.21	1.12	4.22	1.06
Social Friends	3.43	.95	3.54	1.13	3.71	1.08	3.00	1.36	3.38	1.20
Business Contacts	3.22	.90	3.69	1.03	2.95	1.30	3.23	1.25	3.18	1.20
Social Clubs (e.g. Sport and Recreation Club)	1.87	1.22	2.46	1.71	1.20	.64	1.56	.96	1.59	1.09

Source: Author

6.2.5 Mean and Standard Deviation Scores for Frequency of Communication

The final and fourth factor is the frequency of communication between the business owners and their network contacts. The communication can be in the form of e-mails, text messages, formal or informal meetings, seminars, or use of social media (Whatsapp, Facebook, Skype, etc.). Table 6.4 reflects the summarisation of the results.

Based on the results presented in Table 6.4, business owners of the four sub-sectors 'rarely' to 'occasionally' communicate with their formal (*M*=2.37, *SD*=.88) and informal networks (*M*=2.96, *SD*=.82). Similar to the dynamics presented in the previous sub-section on the size of networks, it seems that the frequency of communication of entrepreneurs from travel agencies with both formal (*M*=3.05, *SD*=.74) and informal networks (*M*=3.15, *SD*=1.10) is very similar, as they communicate 'occasionally' to 'frequently'. This is attributed to their relative high mean scores recorded for the state tourism agency (*M*=3.15, *SD*=.80) and suppliers (*M*=3.54, *SD*=1.05). Focusing on the relationship with suppliers, the business owners of restaurants (*M*=3.32, *SD*=1.05) and handicrafts (*M*=3.80, *SD*=1.37) also recorded a similar pattern of frequency of communication with the owners of travel agencies, where all three sub-sectors were depicted as having a wider fluctuation from the mean ratings given the nature of their standard deviation scores.

Again, the same dynamic continues with the owners of restaurants (*M*=4.17, *SD*=.97) and handicrafts (*M*=4.12, *SD*=1.24) in terms of their frequency of communications with the families. It is revealed that they are 'frequently' to 'very frequently' in communication with their family members. For the rest of the contacts in informal networks, it is interesting to note that entrepreneurs from all four sub-sectors are least in contacts with the social clubs, further highlighting their less significant role in the SMTEs' operations.

Table 6.4 – Mean (*M*) and Standard Deviation (*SD*) Scores for Frequency of Communication

Type of Network	Hotels & Resorts (N=23)		Travel Agencies (N=13)		Restaurants (N=41)		Handicrafts (N=43)		SMTEs (N=120)	
	Mean (M)	Standard Deviation (SD)	Mean (M)	Standard Deviation (SD)	Mean (M)	Standard Deviation (SD)	Mean (M)	Standard Deviation (SD)	Mean (M)	Standard Deviation (SD)
Formal	2.44	.80	3.05	.74	2.00	.87	2.47	.82	2.37	.88
Government Agencies	2.22	1.35	2.85	.90	1.88	1.21	2.14	1.32	2.14	1.27
State Tourism Agency	2.83	1.07	3.15	.80	1.59	1.07	2.12	1.22	2.18	1.22
Banks	2.13	.97	3.23	.93	1.63	.97	2.09	1.19	2.07	1.14
Trade & Commerce Associations	2.09	.94	2.50	1.26	1.57	1.00	2.20	1.10	2.00	1.09
Suppliers	2.96	1.22	3.54	1.05	3.32	1.05	3.80	1.37	3.44	1.36
Informal	3.07	.93	3.06	1.10	2.86	.68	2.98	.80	2.96	.82
Families	3.83	1.19	3.54	1.45	4.17	.97	4.02	1.24	3.98	1.73
Social Friends	3.22	1.13	3.08	1.26	3.39	1.18	2.98	1.42	3.18	1.27
Business Contacts	3.30	1.06	3.54	1.39	2.80	1.38	3.42	1.33	3.20	1.33
Social Clubs (e.g. Sport and Recreation Club)	1.91	1.24	2.08	1.32	1.07	.26	1.51	1.05	1.50	1.00

Source: Author

6.2.6 The Degree of Importance of Formal and Informal Networks in SMTEs' Learning

Based on the outcomes of the prior four dimensions, it appears that the entrepreneurs across the four sub-sectors are slightly more appreciative of the role of informal networks as compared to the formal networks in their business operations generally. This is further supported by the descriptive interpretations of the first question in the questionnaire (see **Appendix 3**). For this question, the business owners were asked to describe the importance of the role played by formal and informal networks in their enterprise learning process in operating the businesses. Similar with the other questions on the network variable, this question used a 5-point Likert scale on a continuum with the following: (1) Strongly disagree, (2) Disagree, (3) Neither Agree nor Disagree, (4) Agree to (5) Strongly Agree. The subsequent Table 6.5 depicts the mean and standard deviation scores for this question.

Table 6.5 – Mean (*M*) and Standard Deviation (*SD*) Scores for the Degree of Importance of Formal and Informal Networks in Enterprise Learning

SMTEs	**N**	**Formal Network**		**Informal Network**	
		Mean (M)	**Standard Deviation (SD)**	**Mean (M)**	**Standard Deviation (SD)**
Hotels & Resorts	23	3.65	.71	3.91	.85
Travel Agencies	13	3.92	.64	3.85	.99
Restaurants	41	3.80	1.29	4.24	.89
Handicrafts	43	4.02	.83	4.14	.80
All Four Sub-Sectors	120	3.87	.98	4.10	.86

Source: Author

It was reported that the business owners 'agree' to 'strongly agree' to the importance of the role of informal networks (*M*=4.10, SD=.86) in their business operations as compared to the role of formal networks (*M*=3.87, SD=.98), with most of them falling in the categories ‘neither agree nor disagree’ to ‘agree’ on it. In other words, these results indicate that most of the business owners are slightly more in the agreement on the importance of informal networks as compared to the formal networks in SMTEs’ learning. This is due to the close distance of the mean ratings between the formal and informal networks by the owners of handicrafts and hotels and resorts. This reflects the fact that the gap in perceptions on the importance of both networks among these entrepreneurs of two sub-sectors is not that wide considering the nature of the previous results where the differences in terms of the four dimensions were quite evident.

On top of that, it is important to note the contrasting pattern in the context of travel agencies, which further explains the slight difference in the overall mean ratings. Specifically, the entrepreneurs of travel agencies rated the importance of formal networks (M=3.92, SD=.64) slightly higher than the informal networks (M=3.85, SD=.99). This is further supported by the low standard deviation scores for both networks where it shows the consistency of responses by the owners of travel agencies to the importance of both networks in their enterprise learning.

Despite this, it is concluded that the overall result is in line with the pattern of the previous outcomes where the mean and standard deviation scores for the size of the networks, strength of the relationship, trust and frequency of communication were slightly more positive on the informal networks. Subsequently, this further strengthens the premise that most of the business owners of SMTEs in Terengganu considered informal networks as an important source of knowledge and as a preferable link for them to get help, support and advice with regards to their businesses as compared to formal networks.

6.3 Reliability Test

The purpose of a reliability test is to ensure the stability and internal consistency for each of the items under the same underlying variable of networks, absorptive capacity and business management (Sekaran & Bougie, 2010). In other words, the test is conducted to ensure all the items consistently measure a variable.

Therefore, when all the items in a variable are found to be correlated with each other, the reliability test indicates the instruments are reliable. In deciding the reliability for each of the variables and factors, the interpretation of the results was based on the reading of Cronbach's alpha, also known as coefficient alpha. Essentially, the reading of Cronbach's alpha was within the range of 0 to 1, with the higher values indicating a higher reliability of a scale.

For a more accurate reading of the Cronbach's alpha, there are options on the rules of thumb produced by scholars namely Hair et al. (2007), Pallant (2011), Sekaran and Bougie (2010) and Hinton et al. (2004). Scholars such as Hair et al. (2007) and Pallant (2011) generally agree on the consideration of a minimum lower limit of an alpha of 0.7 and categorised the scale below 0.6 as poor. Nevertheless, Hair et al. (2007) also argue that lower coefficients than 0.6 may be acceptable when this is in line with the assertion by Hinton et al. (2004) that coefficients ranging from 0.5 to 0.7 can be accepted as moderately reliable (see Table 6.6).

Table 6.6 – Rules of Thumb About Cronbach Alpha Size

Alpha Coefficient Range	**Strength of Association**
<.5	Poor
.5 to <.7	Moderate
.7 to <.9	High
≥.9	Excellent

Source: Hinton et al. (2004).

Given the exploratory nature of this study and the importance of each relevant variable and dimensions involved, the minimum coefficient range of Cronbach's alpha was set at 0.50 to fulfil the requirement of the reliability test. With this in mind, the subsequent Table 6.7 depicts the Cronbach's alpha coefficient for all the study variables of networks (formal and informal), absorptive capacity and business management.

Table 6.7 – Cronbach's Alpha Coefficient Study Variables

Variable	N	Number of Scale Item (s)	Cronbach Alpha's Coefficient, α
Networks	120	40	.94
Formal	120	24	.94
• Size		6	.79
• Strength		6	.81
• Trust		6	.78
• Frequency of Communication		6	.81
Informal	120	16	.88
• Size		4	.60
• Strength		4	.58
• Trust		4	.54
• Frequency of Communication		4	.62
Absorptive capacity	120	39	.95
• Acquisition		10	.82
• Assimilation		10	.85
• Transformation		11	.92
• Exploitation		8	.83
Business Management	120	4	.89

Source: Author

Accordingly, the range of Cronbach's alpha coefficient for all the variables (networks, formal, informal, absorptive capacity, business management) were found to be reliable as the Cronbach's alpha ranges from .88 to .95. On the other hand, it is notable that all the dimensions for formal networks (size, strength, trust, frequency of communication) and absorptive capacity (acquisition, assimilation, transformation, exploitation) have a high degree of association with their coefficients ranging from .78 to .92., with the exception of dimensions for informal networks, namely strength (.58) and trust (.54).

Interestingly, the recorded coefficient values for the dimensions of informal networks (size, strength, trust, frequency of communication) range from .54 to .62, which is relatively low as compared to the results of dimensions for formal network and absorptive capacity. This might be attributed to the particularly skewed distribution of scores positively and negatively within the measured items (families, social friends, business contacts, social clubs) of the dimensions of informal networks, which is considered as a normal occurrences in the field of social sciences (Pallant, 2011). Despite the relatively low scores, the overall coefficient values for all the dimensions of informal networks are still above the minimum range of .50 and therefore, are still considered as acceptable and moderately reliable.

In terms of the validity, all the questions used for application within Terengganu's tourism sector were firstly assessed based on the context of literature on the characteristics of entrepreneurs and SMTEs, networks, absorptive capacity and business performance within the tourism, service and other sectors. In combining aspects of these validated questions, which were taken from numerous prior empirical studies, and refined to reflect the dynamics within the tourism sector in Terengganu has provided the necessary content validity and application in the setting of the current study. In other words, it is considered that the necessary content validity for the current research was achieved through the adaptation and employment of previous empirically tested scales.

6.4 Non-Parametric Analysis: Mann Whitney-U and Kruskal Wallis Tests

The first inferential analysis concerns the influences of the 17 characteristics of entrepreneurs and SMTEs on their perceptions of the importance of formal and informal networks in their enterprise learning in operating the tourism businesses. Basically, only 16 characteristics of entrepreneurs and SMTEs were measured in the categorical scales since the dimensions of the number of employees were measured in a continuous manner. Out of these 16 characteristics of entrepreneurs and SMTEs, it is notable that there are 6 dimensions (age, years living in Terengganu, years of previous work experience, years working in the tourism sector, years of business operation, annual sales turnover) that possess continuous characteristics despite the categorical format of the questions (see **Appendix 3**). For further details on how they were measured, please see the section of 'original categories' presented in Table 6.8 below.

Table 6.8 – Reduced Groups of Dimensions of Characteristics of Entrepreneurs and SMTEs

Dimension	Original Categories	N	Reduced Categories	N
Age	• Below 20 • 20-25 • 26-30 • 31-35 • 36-40 • 41-45 • 46-50 • 51-55 • 56-60 • 61 and above	0 5 5 18 14 21 9 24 13 11	• Below 40 • 41-55 • 56 and above	42 54 54
Years Living in Terengganu	• 0 • 1-5 • 6-10 • 11-15 • 16-20 • 21-25 • 26-30 • 31-35 • 36-40 • 41 and above	0 1 4 1 3 6 5 17 13 70	• Up to 40 • 41 and above	50 70
Years of Previous Work Experience	• 0-2 • 3-5 • 6-8	66 14 8	• Up to 2 • 3-5 • 6 and above	66 14 40

	• 9-11 • 12-14 • More than 15	6 3 23		
Years Working in Tourism Sector	• 0-2 • 3-5 • 6-8 • 9-11 • 12-14 • More than 15	53 13 4 10 3 37	• Up to 2 • 3-8 • 9 and above	53 27 40
Years of Business Operation	• 0 • 1-3 • 4-6 • 7-9 • 10-12 • 13-15 • 16-18 • 19-21 • 22-24 • More than 25	6 13 15 7 10 13 6 5 8 37	• Up to 9 • 10-24 • 25 and above	41 42 37
Full-Timer Equivalent (Number of Employees)	• Ranging from 0 to 40	120	• Up to 4 • 4-7 • 7 and above	49 34 37
Annual Sales Turnover	• Less than RM100,000 • RM100,001-RM199,999 • RM200,000-RM299,999 • RM300,000-RM1,199,999 • RM1,200,000-RM2,099,999 • RM2,100,000-RM2,999,999	42 13 13 21 6 3	• Less than RM100,000 • RM100,001-RM1,299,999 • RM1,300,000 and above	42 47 15

	• RM3,000,000-RM9,999,999 • RM10,000,000-RM14,999,999 • RM15,000,000-RM19,999,999 • More than RM20,000,000	1 5 0 0		

Source: Author

On the other hand, it is important to note that there were only 104 entrepreneurs that responded to the dimension of annual sales turnover given the sensitive nature of the question. Therefore, the subsequent analyses that involved the annual sales turnover particularly only had 104 cases to be analysed as opposed to the 120 cases for the other 16 dimensions of characteristics of entrepreneurs and SMTEs.

As for the number of employees, the dimension was measured in a continuous manner and ranged from 0 to 40 employees. From this, it is also important to understand the different numbers or compositions of full-and-part-time employees across the four different sub-sectors of SMTEs. Because of this, the number of full time equivalent employees (FTE) was established in order to arrive at a standard reflection on the true size of the SMTEs. This was especially necessary in ensuring a more systematic and accurate assessment of the results. Across the board, it was assumed that 1 part-timer is equal to 0.5 full-time employees in terms of their workloads and hours of working. Based on this assumption, a new variable of FTE was created and was used as one of the dimensions for the measurement of the importance of formal and informal networks in SMTEs' learning (see Equation 6.1).

Equation 6.1 – Full-timer Equivalent (FTE)

Full-timer Equivalent (FTE) = (0.5 x Number of Part-timers) + Number of Full-timers

Overall, given the large number of continuous groups or categories and the skewed distribution of the data, the 7 dimensions including the FTE were collapsed or reduced into 2 or 3 equal groups according to the respondents' scores. The approach of 2 or 3 equal groups was adopted as it provides perspective into the differences or relationships from low, medium and high scoring groups. In addition, the maximum number of 3 groups also helped in providing a more comprehensive post-hoc test and effect size for the Kruskal-Wallis analysis, where the Bonferroni adjustment was employed to the alpha values and follow-up Mann-Whitney U tests were conducted (Pallant, 2011; Field, 2009).

The post-hoc tests and effect size were important in the identifications of groups that were statistically significantly different from one another (Pallant, 2011). According to Pallant (2011), the Bonferroni adjustment involves dividing the alpha level of .05 by the number of tests and using the revised alpha values in determining significance. In this research, there are 3 groups and if it had been decided that it was appropriate to compare each group with one another (1 with 2, 1 with 3, 2 with 3), this would have meant a stricter alpha value of .05/3 = .017.

Therefore, it was important to be selective and control the number of comparisons in order to maintain a manageable alpha level (Field, 2009). In line with this premise, the previous Table 6.8 also presents the new reduced 2 and 3 groups for the selected 7 continuous and categorical dimensions. Based on the new reduced groups of the 7 continuous and categorical dimensions illustrated in Table 6.8 and together with the other 10 dimensions of characteristics of entrepreneurs and SMTEs, the following sub-sections present the key results of the Mann-Whitney U and Kruskal-Wallis tests.

6.4.1 Examinations of the Relationships Between Two Groups' Categorical Variables of Characteristics of Entrepreneurs and SMTEs and the Importance of Formal and Informal Networks in SMTEs' Learning

The Mann-Whitney U test is conducted to investigate the relationships and differences between one categorical variable with not more than two groups and one continuous variable (Pallant, 2011). Examining all the 17 dimensions of characteristics, there are 7 which that were measured in categorical or nominal scales. One of the 7 categorical variables, that of business capital, has 6 different categories of personal savings, families, relatives, friends, banks and government agencies with nominal scales of 'yes' and 'no'. Given the format of the question, these 6 sub-dimensions of business capital were analysed individually in order to assess their relationships and differences with the importance of formal and informal networks in SMTEs' learning.

Table 6.9 presents the key results of dimensions that had statistically significant differences and relationships with the importance of formal and informal networks in SMTEs' learning (see **Sub-Appendix 5.1** for the full results summary)**.**

Table 6.9 – Key Statistically Significant Results of the Mann-Whitney U Test

Output	**N**	**Importance of Formal Network**			
		Mean Rank	**Mann-Whitney U**	**z**	**Asymp. Sig.**
Formal Tourism Training	120		1057.50	-2.48	.01**
• Yes	34	72.40			
• No	86	55.80			
Business Plan	120		1415.00	-2.12	.03*
• Yes	61	66.80			
• No	59	53.98			

Years Living in Terengganu	120		1339.00	-2.30	.02*
• Up to 40	50	68.72			
• 41 and above	70	54.63			
Business Capital	120				
1. Personal Savings			860.00	-2.79	.01**
• Yes	92	55.85			
• No	28	75.79			
2. Families			1168.00	-3.49	.000***
• Yes	61	50.15			
• No	59	71.20			

Note: Confidence Interval, *$p<0.05$, **$p<0.01$, ***$p<0.001$

Notably, the dimensions of formal tourism training, business plan, years living in Terengganu and the two sub-dimensions of business capital (personal savings and families) indicate significant relationships and differences with varying levels of strength on the importance of formal networks in SMTEs' learning. Interestingly, there were no significant relationships or differences between any nominal dimensions of characteristics of entrepreneurs and SMTEs and the importance of informal networks.

With the significant relationships, it is important to measure their effect sizes in order to have a comparable standardized measure with other studies (Field, 2009). Basically, the value of z that is reported in the output can be used to measure an approximate value of r (Pallant, 2011). The r value then will be interpreted by using the Cohen's (1988) criteria of .1=small effect, .3=medium effect and .5=large effect. In line with the equation, each effect size for all the significant relationships was calculated. In addition, the median (Mdn) value for all the characteristics of entrepreneurs and SMTEs with significant relationships was also measured as this statistic is more appropriate than the mean for the non-parametric tests (Field, 2009). Table 6.10 presents the r value for the formal tourism training, business plan and two sub-dimensions of business capital (personal savings and families).

Table 6.10 – Key Statistically Significant Results of r Value and Median Scores for Relationships Between Formal Tourism Training, Business Plan, Years Living in Terengganu, Business Capital (Personal Savings and Families) and Importance of Formal Network

Dimension	Median	r Value	Cohen's Criteria
Formal Tourism Training • Yes • No	4.00 4.00 4.00	.2	Small Effect
Business Plan • Yes • No	4.00 4.00 4.00	.2	Small Effect
Years Living in Terengganu • Up to 40 • 41 and above	4.00 4.00 4.00	.2	Small Effect
Personal Savings • Yes • No	4.00 4.00 4.00	.3	Medium Effect
Families • Yes • No	4.00 4.00 4.00	.3	Medium Effect

Source: Author

Based on the overall results presented in Tables 6.9 and 6.10, entrepreneurs with formal tourism training (Mdn = 4.00) perceive the importance of formal networks in their SMTEs' learning to be more important than the entrepreneurs who have not had formal training (Mdn = 4.00) with a small effect size ($r = .2$), $U = 1057.50$, $z = -2.48$, $p < 0.01$. Likewise, entrepreneurs with a business plan (Mdn = 4.00) also rate the importance of formal networks favourably with small effect size ($r = .2$) compared to those without a business plan (Mdn = 4.00), $U = 1415.00$, $z = -2.12$, $p < 0.05$.

Entrepreneurs that have been living in Terengganu for up to 40 years also perceive formal networks to be more important (Mdn = 4.00) compared to the ones that have lived much longer in the state (41 years and more, Mdn = 4.00) with small effect size ($r = .2$), $U = 1339.00$, $z = -2.30$, $p < 0.05$. On the other hand, SMTEs with business capital sourced from personal savings (Mdn = 4.00) are not as appreciative of the importance of formal networks as those who have obtained their business capital from different sources (Mdn = 4.00), $U = 860.00$, $z = -2.79$, $p < 0.01$ and this relationship is shown to have a medium effect size ($r = .3$).

The most statistically significant relationship and differences ($p < .001$) were recorded by entrepreneurs that secure their business capital from families since they do not rate highly the role of formal networks in SMTEs' learning (Mdn = 4.00) as compared to those who did not use this source of capital – this is shown to have a medium effect size ($r = .3$) (Mdn = 4.00), $U = 1168.00$, $z = -3.49$.

6.4.2 Examinations of the Relationships Between Three or More Categorical Groups' Variables of Characteristics of Entrepreneurs and SMTEs and Importance of Formal and Informal Networks in SMTEs' Learning

The Kruskal-Wallis test is conducted to identify the relationships and differences between categorical variables with three or more groups and one continuous variable (Pallant, 2011). After the conclusion of the Mann-Whitney U test, there were 10 different dimensions of characteristics of entrepreneurs and SMTEs with three or more groups of categorical variables. Table 6.11 shows the key results of the dimensions of characteristics of entrepreneurs and SMTEs with statistically significant differences and relationships with the importance of formal and informal networks in SMTEs learning (for the full results, see **Sub-Appendix 5.2**). Accordingly, the two dimensions of age and years of working in the tourism sector had statistically significant relationships and differences in terms of the perceived importance of formal networks in SMTEs' learning ($p < 0.01$). As for informal networks, there was one dimension of years of previous work experience that shows a statistically significant relationship ($p < 0.01$).

Table 6.11 – Key Statistically Significant Results of the Kruskal-Wallis Test

Output	N	Mean Rank	Chi-Square	df.	Asymp. Sig.
Importance of Formal Network					
Age	120		9.02	2	.01**
• Below 40	42	70.69			
• 41-55	54	59.25			
• 56 and above	54	45.48			
Years Working in Tourism Sector	120		9.37	2	.01**
• Up to 2	53	50.18			
• 3-8	27	70.37			
• 9 and above	40	67.51			
Importance of Informal Network					
Years of Previous Work Experience	120		10.32	2	.01**
• Up to 2	66	69.04			
• 3-5	14	47.71			
• 6 and above	40	50.89			

Note: Confidence Interval, *p<0.05, **p<0.01, ***p<0.001

Post-hoc analysis, in the form of the Bonferroni adjustment and effect size estimation, was carried out. It can be seen that all three dimensions consist of three different groups. Thus, the Bonferroni adjustment of alpha value of .05 needed to be divided accordingly among the 3 groups, which made the new revised alpha value as .017. With this, the Mann-Whitney U tests were conducted to identify which of the groups were statistically different from one another as well as their effect sizes. The following Table 6.12 presents the results of the Mann-Whitney U tests and effect sizes for the first significant dimension of age. The results from the three paired comparisons of groups indicate that one test had a significant difference and relationship (second paired comparison) based on the revised alpha value of .017.

Table 6.12 – Results of Mann-Whitney U Tests and Effect Sizes of Age

Output	N	Mann-Whitney U				Effect Size			
		Mean Rank	Mann-Whitney U	z	Asymp. Sig.	Median	Calculation	r value	Cohen's Criteria
First Paired Comparison (First and Second Group)									
Age	96		910.50	-1.75	.08	-	-	-	-
• Below 40	42	53.82							
• 41-55	54	44.36							
Second Paired Comparison (First and Third Group)									
Age	66		299.50	-2.86	.004*		-2.86/ square root of 66	.4	Medium Effect
• Below 40	42	38.37				4.00			
• 56 and above	24	24.98				3.00			
Third Paired Comparison (Second and Third Group)									
Age	78		492.00	-1.77	.08	-	-	-	-
• 41-55	54	42.39							
• 56 and above	24	33.00							

Note: Confidence Interval for Revised Alpha Value = *.017

Evidently, entrepreneurs that belong to the younger age group of below 40 are more approving of the importance of formal networks in the SMTEs' learning to operate the tourism business (Mdn = 4.00) as compared to the older groups of entrepreneurs who are 56 and above (Mdn = 3.00) with a medium effect size, $r = .4$, $U = 299.50$, $z = -2.86$, $p < 0.0$.

As for the second significant dimension of years of previous work experience, the results of the Mann-Whitney U tests are depicted in Table 6.13. Based on Table 6.13, there is one paired comparison of groups that was statistically significant with the alpha value of .006. This means that with medium effect size ($r = .3$), entrepreneurs with the shortest accumulation of years of previous work experience (up to 2 years) perceive a greater degree of importance for informal networks (Mdn. = 4.00) in their business learning as compared to entrepreneurs with the longest accumulation of years of previous work experience (6 years and above) (Mdn. = 4.00), $U = 924.50$, $z = -2.77$, $p < 0.01$.

Moving on to the last significant dimension of years working in the tourism sector, Table 6.14 also shows one paired comparison of groups with a statistically significant difference and relationship with an alpha value of .006. The result indicates that entrepreneurs with relatively more years of experience working in the tourism sector (3 to 8 years) (Mdn. = 4.00) are more appreciative of the importance of formal networks as compared to those with a shorter working experience within the sector (up to 2 years) (Mdn. = 4.00), $U = 461.00$, $z = -2.37$, $p < 0.01$.

Table 6.13 – Results of Mann-Whitney U Tests and Effect Sizes of Years of Previous Work Experience

Output	N	Mann-Whitney U				Effect Size			
		Mean Rank	Mann-Whitney U	z	Asymp. Sig.	Median	Calculation	r value	Cohen's Criteria
First Paired Comparison (First and Second Group)									
Years of Previous Work Experience	80		294.00	-2.31	.02	-	-	-	-
• Up to 2	66	43.05							
• 3-5	14	28.50							
Second Paired Comparison (First and Third Group)									
Years of Previous Work Experience	106		924.50	-2.77	.006*		-2.77/ square root of 106	.3	Medium Effect
• Up to 2	66	59.49				4.00			
• 6 and above	40	43.61				4.00			
Third Paired Comparison (Second and Third Group)									
Years of Previous Work Experience	54		269.00	-.24	.81	-	-	-	-
• 3-5	14	26.71							
• 6 and above	40	27.78							

Note: Confidence Interval for Revised Alpha Value = *.017

Table 6.14 – Results of Mann-Whitney U Tests and Effect Sizes of Years Working in the Tourism Sector

Output	**N**	**Mann-Whitney U**				**Effect Size**			
		Mean Rank	**Mann-Whitney U**	**z**	**Asymp. Sig.**	**Median**	**Calculation**	**r value**	**Cohen's Criteria**
First Paired Comparison (First and Second Group)									
Years Working in Tourism Sector	80		461.00	-2.73	.006*		-2.73/ square root of 80	.3	Medium Effect
• Up to 2	53	35.70				4.00			
• 3-8	27	49.93				4.00			
Second Paired Comparison (First and Third Group)									
Years Working in Tourism Sector	93		767.50	-2.37	.018	-	-	-	-
• Up to 2	53	41.48							
• 9 and above	40	54.31							
Third Paired Comparison (Second and Third Group)									
Years Working in Tourism Sector	67		528.00	-.16	.87	-	-	-	-
• 3-8	27	34.44							
• 9 and above	40	33.70							

Note: Confidence Interval for Revised Alpha Value = *.017

6.5 Parametric Statistical Analysis

As previously mentioned in the introduction of this chapter, the next phase of data analysis is the parametric analysis, which involved the third research objective of identifying the mediating influences of absorptive capacity derived from entrepreneurs' networks on the performance of SMTEs. Hierarchical linear and multiple regression analysis were chosen to identify the relationships between the variables of formal and informal networks, absorptive capacity and business performance with the four selected control variables. Based on this premise, the next part of the discussion will address the process, results and interpretations of the hierarchical linear and multiple regression analysis.

6.6 Hierarchical Linear and Multiple Regression Analysis

The application of the hierarchical linear and multiple regression analysis involved two separate main analyses with different dependent variables of business management and annual sales turnover. Prior to the analyses, all the control variables were recoded into dummy variables to represent their groups in the regression analysis since they are measured in categorical scales (Sekaran & Bougie, 2010). Further details on this process are covered in **Sub-Appendix 6.4**.

Through the inclusion of these selected control variables in all the subsequent model equations, their influences on the dependent variables could be controlled with the hierarchical linear and multiple regression (Pallant, 2011: 162). With the dependent variable of business management and annual sales turnover, the overall variance explained by each of the independent variables (formal and informal networks and absorptive capacity) after the effects of the control variable was removed could be identified through the value of R^2 change. In addition to this, the F ratio change for both groups of analyses was also included as part of the assessment in determining the goodness-of-fit of the regression model and to help explained whether the change in R^2 was significant (Field, 2009: 235).

As for the three dimensions for each formal and informal networks (size, trust, frequency of communication) and four dimensions of absorptive capacity (acquisition, assimilation, transformation, exploitation), these were analysed in terms of the standardized factor score (beta coefficients, β) and the level of significance. Basically, the standardized factor score or beta coefficients were identified to examine the unique contribution or relative importance of each independent variable of interest to the final equation (Pallant, 2011).

Upon the conclusion of this phase of analysis, the variable of absorptive capacity was further analysed by examining the potential mediating effects on the relationships between the formal and informal networks and business management and annual sales turnover. When interpreting the results of the analysis, it is important to note that out of 120 entrepreneurs, there were 16 unwilling to respond to the question of annual sales turnover as well as the deletion of a single outlier in order to improve the normality assumption for absorptive capacity (see **Sub-Appendices 6.1, 6.2**).

After the model estimations were conducted, the assumptions of normality, homoscedasticity, linearity, multicollinearity, independence of residuals and outliers for each of the relationships were inspected and are reported in **Appendix 6.5** (see particularly **Sub-Appendices 6.5.1 to 6.5.8**). The extensive list of assumptions that needed to be met was challenging as the two or more univariate normal variables were not necessarily multivariate normal (Field, 2009; Hair et al*.,* 2010). For this reason, it is important to highlight that for both formal and informal networks, the dimension of strength was removed from all the regression equations as it violated the multicollinearity assumption (see **Sub-Appendix 6.5** for details).

In the same vein, there were also violations of the assumptions of homoscedasticity, linearity and independence of residuals in the regression analyses that involved annual sales turnover as the dependent variable (see sections 6.6.4, 6.6.5 and 6.6.6). Despite these violations, it is crucial to note that if the assumptions of linearity and homoscedasticity are not met, it does not invalidate an analysis so much as weaken it (Tabachnick & Fidell, 2013).

Regarding the context of the non-independence of residuals or autocorrelation (see **Sub-Appendix 6.5** for how non-independence occurred in this study), it was detected through Durbin-Watson statistic and is probably routinely violated in other studies (Darlington & Hayes, 2017; Field, 2009). However, the effect of autocorrelation in most cases is that the result will be underestimation where the confidence interval is too narrow and the significance level inappropriately small (Darlington & Hayes, 2017).

In the context of the current study, convenience sampling was used and this means that all the regression model estimations cannot be generalised beyond the entrepreneurs in this study (Hair et al., 2007). Nevertheless, it is important to bear in mind that the main objectives in meeting these assumptions apart from the generalisation is to ensure the accuracy of the potential results (Hair et al, 2010; Field, 2009). If this is violated, the options to remedy the violation of the assumptions is rather limited (Field, 2009; Darlington & Hayes, 2017). However, Field (2009) also points out that a perfectly good model of data can still be used to draw conclusions about the sample in a study even if the assumptions are violated. Therefore, the interpretations or conclusions that were made must be restricted and based on the model of the entrepreneurs and SMTEs of this study (Field, 2009: 214). For this reason, it was decided that any regressed relationship that violated the parametric assumptions would be further addressed in a subsequent analysis where the non-parametric technique of the chi-square test for independence could be used to ensure the confidence of the results and its interpretations.

6.6.1 The Use of Formal Networks and Business Management

For the first part of the main analysis, hierarchical linear and multiple regression analyses were conducted to examine the influence of the use of formal networks on business management, after controlling for a range of factors. The results of the analyses are depicted in Table 6.15. The control variables were examined in Model 1, with businesses that were less than 6 years in operation making a unique significant contribution on the variance of business management ($\beta = .260$, $p < 0.01$).

Table 6.15 – Hierarchical Linear and Multiple Regression Analysis for the Use of Formal Networks and Business Management

Independent Variable	N	Model 1 (Regression Coefficient, β)	Model 2 (Regression Coefficient, β)
Years of Previous Work Experience	119		
• 6-11 (1, yes; 0, no)		.075	.068
• More than 12 (1, yes; 0, no)		-.078	-.062
Years of Working in the Tourism Sector			
• 6-11 (1, yes; 0, no)		.195*	.197*
• More than 12 (1, yes; 0, no)		.266*	.266**
Business Categories			
• Hotels & Resorts (1, yes; 0, no)		-.081	-.076
• Travel Agencies (1, yes; 0, no)		.083	.042
• Restaurants (1, yes; 0, no)		.073	.131
Years of Business Operation			
• Less than 6 (1, yes; 0, no)		.260**	.258**
Use of Formal Network			.215*
• Size			.047
• Trust			.288
• Frequency of Communication			-.110
R^2		.126	.166*

R^2 change		.040*	
F		(8, 110) = 1.98	(9, 109) = 2.41*
F change		(1, 109) = 5.23*	

Note: Confidence Interval, **p*<0.05, ***p*<0.01, ****p*<0.001

This was followed by both groups of entrepreneurs with 6 to 11 years ($\beta = .195$, $p < 0.05$) and more than 12 years ($\beta = .266$, $p < 0.05$) of working in the tourism sector. Despite the unique significant contribution, it is important to note that the overall regression model estimation of Model 1 was not statistically significant. Thus, it is important to bear in mind that this result is similar with the other results of Model 1 presented in Tables 6.17 and 6.18 given the nature of the hierarchical analyses, which involved the same four control variables and dependent variable of business management.

After the entry of the use of formal networks in Model 2, the total variance explained by the model improved to become statistically significant at 16.6% ($R^2 = .166$), $F (9, 109) = 2.41$, $p < 0.05$. The use of formal networks explained an additional 4.0% (R^2 change = .040), F change (1, 109) = 5.23, $p < 0.05$, after controlling the four variables of years of previous work experience, years of working in the tourism sector, business categories and years of business operation. In the final model (Model 2), the regression model is considered statistically significant although it could not achieve a satisfactory level of goodness-of-fit in predicting the variance of business management given the relative low value of R^2.

This might be attributed to the absence of any dimension with a unique significant contribution to the explanatory power of the formal networks on the business management. At the same time, it is also interesting to note that businesses which are relatively young (less than 6 years) ($\beta = .258$, $p < 0.01$) and groups of entrepreneurs with more than 12 years of experience working in the tourism sector ($\beta = .266$, $p < 0.01$) recorded higher beta coefficient values compared to the use of formal networks ($\beta = .215$, $p < 0.05$).

As for the assumptions, the distribution of the data within this particular model achieve 'reasonable fulfilment' of normality, linearity and homoscedasticity with no indications of independence of residuals, multicollinearity and undue influence from outliers (refer **Sub-Appendix 6.5.1**).

6.6.2 The Use of Informal Networks and Business Management

With the empirically significant relationship between the use of formal networks and business management in the prior analyses, it is illustrated in the following Table 6.16 that this was not the case between the use of informal networks and business management.

Table 6.16 – Hierarchical Linear and Multiple Regression Analysis for the Use of Informal Networks and Business Management

Independent Variable	**N**	**Model 1 (Regression Coefficient, β)**	**Model 2 (Regression Coefficient, β)**
Years of Previous Work Experience • 6-11 (1, yes; 0, no) • More than 12 (1, yes; 0, no)	119	.075 -.078	.074 -.074
Years of Working in the Tourism Sector • 6-11 (1, yes; 0, no) • More than 12 (1, yes; 0, no)		.195* .266*	.204* .276**
Business Categories • Hotels & Resorts (1, yes; 0, no) • Travel Agencies (1, yes; 0, no)		-.081 .083	-.084 .078

• Restaurants (1, yes; 0, no)		.073	.076
Years of Business Operation Less than 6 (1, yes; 0, no)		.260**	.257**
Use of Informal Networks			.063
• Size			.160
• Trust			-.051
• Frequency of Communication			-.042
R^2		.126	.130
R^2 change		.004	
F		(8, 110) = 1.98	(9, 109) = 1.81
F change		(1, 109) = .47	

Note: Confidence Interval, **p*<0.05, ***p*<0.01, ****p*<0.001

After the entry of the use of informal networks in Model 2, it is indicated that the whole regression model estimation remained insignificant. In the same vein, there was also no significant unique contribution made by the three dimensions of use of informal networks on the variance of business management. Despite the insignificant model estimation, it can be seen that some of the dimensions of the control variables make a unique significant contribution to the business management. In particular, the entrepreneurs with a higher number of years of working in the tourism sector (more than 12 years) are recorded as having the highest beta coefficient ($\beta = .276$, $p < 0.01$), followed by businesses with less than 6 years in operation ($\beta = .257$, $p < 0.01$) and entrepreneurs with 6 to 11 years of working experience in the tourism sector ($\beta = .204$, $p < 0.05$).

In terms of the assumptions, this analysis shows ‘reasonable normality’ as the patterns of homoscedasticity and linearity are less well-defined (see **Sub-Appendix 6.5.2**) due to the insignificant model estimation and low R^2.

6.6.3 Absorptive Capacity and Business Management

Table 6.17 depicts the results of the hierarchical linear and multiple regression between the absorptive capacity and business management.

Table 6.17 – Hierarchical Linear and Multiple Regression Analysis for Absorptive Capacity and Business Management

Independent Variable	**N**	**Model 1 (Regression Coefficient, β)**	**Model 2 (Regression Coefficient, β)**
Years of Previous Work Experience	119		
• 6-11 (1, yes; 0, no)		.075	.073
• More than 12 (1, yes; 0, no)		-.078	-.061
Years of Working in the Tourism Sector			
• 6-11 (1, yes; 0, no)		.195*	.202**
• More than 12 (1, yes; 0, no)		.266*	.182*
Business Categories			
• Hotels & Resorts (1, yes; 0, no)		-.081	-.046
• Travel Agencies (1, yes; 0, no)		.083	.054
• Restaurants (1, yes; 0, no)		.073	.000
Years of Business Operation			
• Less than 6 (1, yes; 0, no)		.260**	.072
Absorptive Capacity			.656***

• Acquisition			.110
• Assimilation			.226
• Transformation			.343**
• Exploitation			.075
R^2		.126	.516***
R^2 change		.390***	
F		(8, 110) = 1.98	(9, 109) = 12.93***
F change		(1, 109) = 87.93***	

Note: Confidence Interval, **p*<0.05, ***p*<0.01, ****p*<0.001

Accordingly, the table shows that with the entry of absorptive capacity in the second regression model, the total variance explained by the whole regression estimation model was statistically significant at 51.6% (R^2 = .516), F (9, 109) = 12.93, p < 0.001. After controlling all the variables in Model 1, absorptive capacity explained an additional 39.0% (R^2 change = .390), F change (1, 109) = 87.93, p < 0.001. With the substantial value of the R^2 change, the final regression estimation model was deemed to have achieve a satisfactory level of goodness-of-fit in predicting the variance of business management (R^2 = .516, p < 0.001).

In comparing this positive development with the prior results on the relationships of the formal and informal networks on business management, it is apparent that there are other variables that potentially could help explain the other variance. Albeit in a different context, past studies conducted on SMEs from various sectors in Malaysia have indicated that entrepreneurial orientation (innovativeness, pro-activeness, risk taking), have a significant relationship on the non-financial factors of business performance (Mahmood & Hanafi, 2013; Arshad et al*.,* 2014).

For example, the result of the regression analysis showed that entrepreneurial orientation explained 45.4% (R^2 = .454) of variance in business performance (Arshad et al*.,* 2014). As for the context of large operators within the tourism sector, it is reported that market orientation among the Malaysian hotels (rated 3 star and above) is also significantly related to the similar aspect of business performance (Chin, Lo & Ramayah, 2013).

Despite the previous results in the literature, it is important to consider that the low level of R^2 value depicted in Table 6.15 might be further improved by the inclusion of absorptive capacity as the mediating variable between the use of formal networks and business management. For this reason, it is crucial to analyse the potential influence of absorptive capacity on this relationship particularly given the non-impact of the use of informal networks on business management.

Equally important, Table 6.17 shows that the absorptive capacity has the largest beta coefficient of .656 at a significant level of 0.001. In other words, absorptive capacity made a statistically significant unique contribution to the variance of the business management. Out of the four dimensions of absorptive capacity, transformation is the only one that made a unique and highest statistically significant contribution ($p < 0.001$) to the variance of business management ($\beta = .343$). This result entails the ability of SMTEs to combine new knowledge with existing knowledge within the business and this subsequently leads to the new insights of how they see themselves and their competitiveness in the market (Thomas & Wood, 2015; Zahra & George, 2002).

With regards to the assumptions, it is also important to note that the precision of this result is strengthened by the normality of the data as well as the fulfilment all the required assumptions of homoscedasticity, linearity, multicollinearity, independence of residuals and outliers (see **Sub-Appendix 6.5.3**).

6.6.4 The Use of Formal Networks and Annual Sales Turnover

Given the completion of the analyses that involve the dependent variable of business management, the results of the hierarchical linear and multiple regression analysis of the use of formal networks on annual sales turnover are presented (see Table 6.18).

Table 6.18 – Hierarchical Linear and Multiple Regression Analysis for the Use of Formal Networks and Annual Sales Turnover

Independent Variable	**N**	**Model 1 (Regression Coefficient, β)**	**Model 2 (Regression Coefficient, β)**
Years of Previous Work Experience	103		
• 6-11 (1, yes; 0, no)		-.116	-.125
• More than 12 (1, yes; 0, no)		-.076	-.060
Years of Working in the Tourism Sector			
• 6-11 (1, yes; 0, no)		-.087	-.079
• More than 12 (1, yes; 0, no)		.115	.092
Business Categories			
• Hotels & Resorts (1, yes; 0, no)		.342**	.356***
• Travel Agencies (1, yes; 0, no)		.397***	.328**
• Restaurants (1, yes; 0, no)		.034	.136
Years of Business Operation			
• Less than 6 (1, yes; 0, no)		-.110	-.129
Use of Formal Networks			.329***
• Size			.083
• Trust			.086
• Frequency of Communication			.182
R^2		.210**	.298***

R^2 change		.089***	
F		(8, 94) = 3.11**	(9, 93) = 4.38***
F change		(1, 93) = 11.74***	

Note: Confidence Interval, *p<0.05, **p<0.01, ***p<0.001

With the different dependent variable of annual sales turnover and number of respondents (103), it is important to examine the results in Model 1. Table 6.18 shows that the regression estimation of Model 1 is statistically significant at 21.0%, (R^2 = .210), F (8, 94) = 3.11, p < 0.01. Specifically, the dummy variables for travel agencies (β = .397, p < 0.001) and hotels and resorts (β = 342, p < 0.01) had a statistically unique significant contribution to the annual sales turnover. This means that, on average, these sub-sectors have a higher sales turnover than handicrafts businesses and restaurants[1]. The overall results of the Model 1 are identical with the subsequent results in the following analyses of the relationships of the use of informal networks, absorptive capacity on annual sales turnover (see sections 6.6.5 and 6.6.6).

After the entry of the use of formal networks in Model 2, the total variance explained by the whole model was statistically significant at 29.8%, (R^2 = .298), F (9, 93) = 4.38, p < 0.001. The R^2 value is considered as 'fairly reasonable' in achieving the goodness-of-fit in predicting the variance of annual sales turnover considering Pallant's (2011) assessment of 46.8% as 'a quite respectable result' in the field of social sciences. From this, the use of formal networks explains an additional 8.9% of the variance of annual sales turnover, after the effects of all variables in Model 1 were controlled, R^2 change = .089, F (1, 93) = 11.74, p < 0.001. Furthermore, there was no significant unique contribution made by the three dimensions of size, trust and frequency of communication to the variance of annual sales turnover.

[1] It is notable that this is not true for all handicrafts businesses in Terengganu, as 4.8% of businesses in this sub-sector were categorised as having high sales turnover and no hotels were in this category (whereas 30.8% of travel agencies were in this category).

This is similar to the pattern of the results exhibited by the regression model of the dimensions of the use of formal and informal networks on business management. In terms of the statistical contribution, it is notable that hotels and resorts have a higher beta coefficient value ($\beta = 356$, $p < 0.001$) than the use of formal networks ($\beta = 329$, $p < 0.001$). Nevertheless, the results of the R^2 and standardized factor scores also demonstrate that the use of formal networks have a stronger impact on the annual sales turnover as compared to the business management. On the other hand, this regression model violates the assumptions of homoscedasticity and independence of residuals (see further details on **Sub-Appendix 6.5.4**). For this reason, a subsequent analysis of the chi-square was performed and the results are reported in section 6.6.7.

6.6.5 The Use of Informal Networks and Annual Sales Turnover

Table 6.19 shows that the overall regression model estimation is statistically significant after the entry of the use of informal networks ($R^2 = .231$, $p < 0.01$). However, the regression model was not statistically significant with the removal of influences from the control variables in the first model (Model 1), where the use of informal networks appears not to have any meaningful influence on the annual sales turnover. This result is in line with the absence of any unique significant contribution from the three dimensions of the use of informal networks on the prediction of annual sales turnover.

From the overall results, it can be concluded that the use of informal networks and its dimensions do not have any effects on or relationships with the improvement of both the aspects of SMTEs' performance, namely business management and annual sales turnover. Despite this result, it is notable that within the context of the relationship between the use of informal networks and annual sales turnover, travel agencies ($\beta = 385$, $p < 0.001$) contributed the highest beta coefficient in the regression model and this was followed by the hotels and resorts ($\beta = 324$, $p < 0.01$). In terms of the assumption, this analysis violated the homoscedasticity as well as the independence of residuals (see **Sub-Appendix 6.5.5**). Owing to this, the chi-square test for independence was conducted and the results are presented in section 6.6.7.

Table 6.19 – Hierarchical Linear and Multiple Regression Analysis for the Use of Informal Networks and Annual Sales Turnover

Independent Variable	**N**	**Model 1 (Regression Coefficient, β)**	**Model 2 (Regression Coefficient, β)**
Years of Previous Work Experience	103		
• 6-11 (1, yes; 0, no)		-.116	-.116
• More than 12 (1, yes; 0, no)		-.076	-.073
Years of Working in Tourism Sector			
• 6-11 (1, yes; 0, no)		-.087	-.074
• More than 12 (1, yes; 0, no)		.115	.125
Business Categories			
• Hotels & Resorts (1, yes; 0, no)		.342**	.324**
• Travel Agencies (1, yes; 0, no)		.397***	.385***
• Restaurants (1, yes; 0, no)		.034	.042
Years of Business Operation			
• Less than 6 (1, yes; 0, no)		-.110	-.123
Use of Informal Networks			.151
• Size			.114
• Trust			.132
• Frequency of Communication			-.083
R^2		.209**	.231**

R^2 change		.021	
F		(8, 94) = 3.11**	(9, 93) = 3.10**
F change		(1, 93) = 2.59	

Note: Confidence Interval, *p<0.05, **p<0.01, ***p<0.001

6.6.6 Absorptive Capacity and Annual Sales Turnover

As illustrated in the following Table 6.20, the whole regression model estimation of the absorptive capacity with the control variables and annual sales turnover was statistically significant (p = .001).

Table 6.20 – Hierarchical Linear and Multiple Regression Analysis for Absorptive Capacity and Annual Sales Turnover

Independent Variable	**N**	**Model 1 (Regression Coefficient, β)**	**Model 2 (Regression Coefficient, β)**
Years of Previous Work Experience • 6-11 (1, yes; 0, no) • More than 12 (1, yes; 0, no)	103	 -.116 -.076	 -.112 -.070
Years of Working in Tourism Sector • 6-11 (1, yes; 0, no) • More than 12 (1, yes; 0, no)		 -.087 .115	 -.093 .093
Business Categories • Hotels & Resorts (1, yes; 0, no) • Travel Agencies (1, yes; 0, no)		 .342** .397***	 .342** .394***

• Restaurants (1, yes; 0, no)		.034	.019
Years of Business Operation • Less than 6 (1, yes; 0, no)		-.110	-.154
Absorptive Capacity • Acquisition • Assimilation • Transformation • Exploitation			.134 .013 .235 -.083 -.019
R^2		.209**	.226**
R^2 change		.016	
F		(8, 94) = 3.11**	(9, 93) = 3.01**
F change		(1, 93) = 1.96	

Note: Confidence Interval, *p<0.05, **p<0.01, ***p<0.001

The model explains 22.6% of the variance in the annual sales turnover (R^2 = .226), F (9, 93) = 3.01, p < 0.01. After the entry of absorptive capacity, the variable did not make a statistically significant contribution on the prediction of annual sales turnover. This is evidenced by the absence of any statistically unique significant contribution by the dimensions of acquisition, assimilation, transformation and exploitation. Considering the nature of the results, it highlights the contrasting pattern with the prior analysis, where the absorptive capacity and its dimension of transformation had a strong statistically significant relationship with the business management.

On the other hand, it appears that the two variables of business categories of travel agencies (β = 394, p < 0.001) and hotels and resorts (β = 342, p < 0.01) made more important unique statistical contributions to the annual sales turnover as compared to the absorptive capacity. Given the nature of the results in all the analyses that involved formal and informal networks and absorptive capacity, it highlights the importance of the control variable of business categories in explaining the variance of annual sales turnover. However, in terms of the assumptions, the residual scatterplots indicate heteroscedasticity and the regression equation violated the independence of residuals (see **Sub-Appendix 6.5.6**). Due to the violations of the assumptions, the chi-square was also performed for this analysis and the results are shown in section 6.6.7.

6.6.7 Chi-Square Test for Independence of the Relationships with Violations of the Assumptions

Overall, there are three different analyses with the violations of the assumptions that could impact the precision of the results of hierarchical linear and multiple regression analysis (Pallant, 2011; Hair et al*.,* 2010). These analyses consist of: (1) use of formal networks and annual sales turnover, (2) use of informal networks and annual sales turnover and (3) absorptive capacity and annual sales turnover.

Given that the non-parametric analysis has less stringent assumptions, the chi-square test for independence was chosen to identify if there was any association between the independent and dependent variables in the mentioned analyses. To perform the chi-square, all the variables (they are measured in the 5-point Likert and continuous scales) needed to be collapsed or reduced into categorical groups. The subsequent Table 6.21 shows the new reduced 3 groups for the 4 variables of the use of formal and informal networks, absorptive capacity and annual sales turnover.

Table 6.21 – Reduced 3 Groups of the Selected 4 Variables

Dimension	Original Scale	N	Reduced Scale	N
Use of Formal Networks	5-point Likert scale	103	• < = 1.80 (low) • 1.81 – 2.63 (medium) • 2.64 + (high)	42 46 15
Use of Informal Networks	5-point Likert scale	103	• < = 2.83 (low) • 2.84 – 3.25 (medium)	42 46

			• 3.26 + (high)	15
Absorptive Capacity	5-point Likert scale	103	• < = 3.56 (low) • 3.57 – 3.85 (medium) • 3.86 + (high)	34 36 33
Annual Sales Turnover	Continuous scale	103	• < = 1.00 (low) • 2.00 – 4.00 (medium) • 5.00 + (high)	42 46 15

Source: Author

Basically, the three equal groups were chosen according to the entrepreneurs' scores to provide low, medium and high scoring groups for each respective variable. Based on this premise, Table 6.22 presents the results of the chi-square test for independence of the four relationships.

Table 6.22 – Results of the Chi-square Test for the Independence Between the Use of Formal and Informal Networks, Absorptive Capacity and Annual Sales Turnover

Analysis	**Chi-square (x^2)**	**Statistical Significance (p)**	**Effect Size (Cramer's V)**
Use of Formal Networks & Annual Sales Turnover	21.978	.000***	.327
Use of Informal Networks & Annual Sales Turnover	8.581	.072	-
Absorptive Capacity & Annual Sales Turnover	5.505	.239	-

Note: Confidence Interval, *p<0.05, **p<0.01, ***p<0.001

All the analyses met the additional assumptions of the lowest frequency in any cell. Comparing the results of the chi-square and hierarchical regression analysis, all of them were similar in the context of statistical significance, where only the use of formal networks had a significant association with the annual sales turnover (x^2 = 21.978, p = .001). The effect size of the association between the use of formal networks and annual sales turnover was revealed to be medium (Cramer's V = .327) as it was in line with Pallant's (2010) indicators with the 3 number of rows and columns, small = .07, medium = .21, large = .35.

Considering the significant association, it was equally important to identify the associations between the three dimensions of the use of formal networks (size, trust, frequency of communication) and annual sales turnover. Thus, each of the dimensions was also collapsed or reduced into three categorical groups (see Table 6.23).

Table 6.23 – Reduced 3 Groups of 3 Dimensions of the Use of Formal Networks

Dimension	Original Scale	N	Reduced Scale	N
Size	5-points Likert scale	103	• < = 1.90 (low) • 1.91 – 2.80 (medium) • 2.81 + (high)	42 46 15
Trust	5-points Likert scale	103	• < = 1.90 (low) • 1.91 – 2.60 (medium) • 2.61 + (high)	42 46 15
Frequency of Communication	5-points Likert scale	103	• < = 1.80 (low) • 1.81 – 2.60 (medium) • 2.61 + (high)	42 46 15

Source: Author

The chi-square test for independence was then performed on the reduced dimensions of size, trust, frequency of communication and annual sales turnover (see Table 6.24).

Table 6.24 – Results of the Chi-square Test for Independence

Analysis Between the Use of Formal Networks and Annual Sales Turnover	**Chi-square (x^2)**	**Statistical Significance (p)**	**Effect Size (Cramer's V)**
Size	15.444	.004**	.274
Trust	21.993	.000***	.327
Frequency of Communication	19.897	.001***	.311

Note: Confidence Interval, *p<0.05, **p<0.01, ***p<0.001

Interestingly, all the three dimensions of size (x^2 = 15.444, p = 0.01), trust (x^2 = 21.993, p = .001) and frequency of communication (x^2 = 19.897, p = .001) had a statistically significant association with the annual sales turnover with a medium effect size (size Cramer's V = .274, trust Cramer's V = .327, frequency of communication Cramer's V = .311).

These results were different from the preceding hierarchical regression analysis, where there was no unique significant contribution from any of the three dimensions of the use of formal networks on the annual sales turnover (refer section 6.6.4). Due to the differences of results between the dimensions of the use of formal networks and annual sales turnover, it was considered appropriate to use the results of the chi-square test for independence given the heterodasticity and non-independence of residuals that led to the weakening and underestimation of the regression model estimation (Tabachnick & Fidell, 2013; Darlington & Hayes, 2017). With the conclusion of the chi-square test for independence, the subsequent section addresses the analysis to identify the mediating influence of absorptive capacity on the use of formal networks and business management.

6.6.8 Mediating Influences of Absorptive Capacity on the Use of Formal and Informal Networks and Business Management

In line with the conditions of Baron and Kenny (1986), the regression between the use of informal networks and absorptive capacity was not conducted considering the violation of the third condition, where the mediation analysis requires a significant relationship between the use of informal networks and business management or annual sales turnover (see sections 6.6.2 and 6.6.5). This was also the case with the relationship between the absorptive capacity and annual sales turnover as they did not have a statistically significant relationship, which violated the second condition (see section 6.6.6).

On the other hand, given the results (statistically significant results between the use of formal networks and business management and absorptive capacity and business management, see sections 6.6.1 and 6.6.3), the regression analysis between the use of formal networks and absorptive capacity needed to be conducted in correspondence to the first condition of Baron and Kenny (1986) as the second and third conditions were met. This step was necessary for the analysis of absorptive capacity as a mediator between the use of formal networks and business management. Based on this premise, Table 6.26 presents the results of the hierarchical linear and multiple regression analysis between the use of formal networks and absorptive capacity with the control variables.

In the first model (Model 1), the regression equation was not statistically significant despite the unique significant contribution by the group of businesses with less than 6 years in operation ($\beta = 342$, $p < 0.01$). After the entry of the use of formal networks in the second model (Model 2), the total variance explained by the overall regression model estimation was statistically significant at 20.1% ($R^2 = .201$), $F(9, 109) = 3.05$, $p < 0.01$. As for the use of formal networks in particular, this explains an additional 10.8% after controlling for all the variables entered in the first model (Model 1), (R^2 change = .108), F change $(1, 109) = 14.68$, $p < 0.001$.

This result is supported by the statistically significant contribution ($p < 0.01$) made by the dimension of trust in explaining the variation of the absorptive capacity ($\beta = .454$). In terms of the goodness-of-fit, the R^2 value is considered as low and did not achieve a relatively satisfactory level in predicting the variance of absorptive capacity (for the assumptions, see **Sub-Appendix 6.5.7**). Taken altogether, the statistically significant result means that the first condition of Baron and Kenny (1986) was fulfilled despite the relatively low R^2 value.

Table 6.25 – Hierarchical Linear and Multiple Regression Analysis for the Use of Formal Networks and Absorptive Capacity

Independent Variable	**N**	**Model 1 (Regression Coefficient, β)**	**Model 2 (Regression Coefficient, β)**
Years of Previous Work Experience	119		
• 6-11 (1, yes; 0, no)		.003	-.008
• More than 12 (1, yes; 0, no)		-.025	-.000
Years of Working in Tourism Sector			
• 6-11 (1, yes; 0, no)		-.010	.008
• More than 12 (1, yes; 0, no)		.127	.127
Business Categories			
• Hotels & Resorts (1, yes; 0, no)		-.054	-.045
• Travel Agencies (1, yes; 0, no)		.044	-.023
• Restaurants (1, yes; 0, no)		.112	.206

Years of Business Operation • Less than 6 (1, yes; 0, no)		.286**	.283**
Use of Formal Networks • Size • Trust • Frequency of Communication			.353*** -.093 .454** .003
R^2		.094	.201**
R^2 change		.108***	
F		(8, 110) = 1.42	(9, 109) = 3.05**
F change		(1, 109) = 14.68***	

Note: Confidence Interval, **p*<0.05, ***p*<0.01, ****p*<0.001

With the conclusion of this phase, the final step of analysis was to determine if the absorptive capacity completely mediated the relationship between the use of formal networks and business management with the relationships in the first two conditions controlled. Table 6.26 presents the results of the hierarchical linear and multiple regression results in testing the absorptive capacity as a mediator on the use of formal networks and business management with the control variables.

Table 6.26 – Hierarchical Multiple Regression Analysis for Mediating Effect of Absorptive Capacity Between the Use of Formal Networks and Business Management

Independent Variable	**N**	**Model 1 (Regression Coefficient, β)**	**Model 2 (Regression Coefficient, β)**	**Model 3 (Regression Coefficient, β)**
Years of Previous Work Experience	119			

• 6-11 (1, yes; 0, no) • More than 12 (1, yes; 0, no)		.075 -.078	.068 -.062	.074 -.062
Years of Working in Tourism Sector • 6-11 (1, yes; 0, no) • More than 12 (1, yes; 0, no)		.195* .266*	.197* .266**	.202** .181*
Business Categories • Hotels & Resorts (1, yes; 0, no) • Travel Agencies (1, yes; 0, no) • Restaurants (1, yes; 0, no)		-.081 .083 .073	-.076 .042 .131	-.046 .057 -.006
Years of Business Operation • Less than 6 (1, yes; 0, no)		.260**	.258**	.070
Use of Formal Networks			.215*	-.019
Absorptive capacity				.662***
R^2		.126	.166*	.517***
R^2 change			.040*	.350***
F		(8, 110) = 1.98	(9, 109) = 2.41*	(10, 108) = 11.54***
F change			(1, 109) = 5.23*	(1, 108) = 78.30***

Note: Confidence Interval, **p*<0.05, ***p*<0.01, ****p*<0.001

Accordingly, the results of the first two models (Model 1 and Model 2) are already reported in section 6.6.1, where the regression model estimation of the use of formal networks and business management was statistically significant (R^2 = .166), F (9, 109) = 2.41, p < 0.05.

After the entry of absorptive capacity (Model 3), the total variance explained by the whole regression model estimation was statistically significant at 51.7% (R^2 = .517), F (10, 108) = 11.54, $p < 0.001$. This result is deemed to have achieved a satisfactory level of goodness-of-fit in predicting the variance of business management. In addition to this, absorptive capacity specifically explained an additional 35.0% of the variance in business management, after controlling for the use of formal networks and other control variables, (R^2 change = .350) F change (1, 108) = 78.30, $p < 0.001$.

In the final overall regression model (Model 3), which also includes the use of formal networks and other control variables, the absorptive capacity had the highest beta coefficient (β = .664, $p < .001$). At the same time, it can also be observed that the statistical significance level between the use of formal networks and business management decreased from the statistically significant ($p < 0.05$) to not statistically significant. Specifically, the significant level is reduced substantially from .024 in Model 2 to .808. in Model 3. This detail can be seen in Table 6.27, which presents a summarisation of the whole process of mediation analysis.

Given that the independent variable should have no significance in the regression model that includes the mediator (Baron and Kenny, 1986), the analysis empirically proves the strong mediation influence of absorptive capacity on the relationship between the use of formal networks and business management. This is further strengthened by the substantial increment of the variance of business management explained (from R^2 = .166, $p < .05$ to R^2 = .517, $p < .001$) when the absorptive capacity was included in the regression model with the use of formal networks and control variables. In terms of the assumptions, there was no indication of any clear violation (see **Sub-Appendix 6.5.8** for further discussion).

Table 6.27 – Summary of the Mediation Analysis Between the Use of Formal Networks, Absorptive Capacity and Business Management

Step	Dependent Variable	Independent Variable	Model Regression, R^2	Model Statistical Significance	Regression Coefficient, β	Regression Statistical Significance
1	• Absorptive Capacity	• Use of Formal Networks	.201**	.003**	.353***	.000***
2	• Business Management	• Absorptive Capacity	.516***	.000***	.656***	.000***
3	• Business Management	• Use of Formal Networks	.166*	.016*	.215*	.024*
	• Business Management	• Use of Formal Networks • Absorptive Capacity	.517***	.000***	-.019 .662***	.808 .000***

Note: Confidence Interval, **p*<0.05, ***p*<0.01, ****p*<0.001

6.7 Summary

The essence of this chapter is based on the characteristics of both formal and informal networks, and how they contributed with absorptive capacity to the SMTEs' performance in the form of business management and annual sales turnover. In the beginning of this chapter, the differences between the use of formal and informal networks can be observed in the descriptive results of their dimensions of size, strength, trust and frequency of communication. The summarisation of the results from the perspective of all types of SMTEs is presented in Table 6.28.

Table 6.28 – Summarisation of the Mean (*M*) and Standard Deviation (*SD*) Scores for Dimensions of the Use of Formal and Informal Networks

Dimensions of the Use of Formal & Informal Networks	**Formal Networks**		**Informal Networks**	
	Mean (M)	**Standard Deviation (SD)**	**Mean (M)**	**Standard Deviation (SD)**
Size	2.44	.87	3.08	.80
Strength	2.37	.80	3.03	.74
Trust	2.37	.81	3.09	.74
Frequency of Communication	2.37	.88	2.96	.82

Source: Author

The mean and standard deviation scores show that evidently, the entrepreneurs in this study have a larger number of contacts within the informal networks as compared to the formal networks. Furthermore, they also appear to have more trust in their informal contacts as opposed to their formal counterparts. Given the stronger dynamic of trust within the informal network, they are more frequently in contact and have a stronger relationship with each other. Based on this premise, it is also important to bear in mind the distinctive patterns that can be revealed from the inter-sectoral perspective.

It can be concluded that formal contacts such as banks and suppliers might have an important role in the operation of travel agencies in Terengganu. Similarly, the suppliers also seem to be important for restaurants and handicrafts as well despite the inconsistencies of the data. For the contacts of informal networks, families can be considered as crucial for the entrepreneurs of travel agencies, restaurants and handicrafts. In the same vein, most of the entrepreneurs in this study agreed that their SMTEs learnt the most from their informal networks. This was demonstrated by their stronger inclinations towards the importance of informal networks in their enterprise learning of the business operations although it is a different case for travel agencies specifically as they considered formal networks as more important in their SMTEs learning (see Table 6.5).

With all the items in the questionnaire valid and consistently measuring its variables, the middle part of this chapter focussed on the importance of formal and informal networks in the SMTEs learning and how they can be significantly differentiated and characterised in terms of the 17 characteristics of entrepreneurs and SMTEs. For this purpose, the Mann-Whitney-U and Kruskal-Wallis tests were employed (see Table 6.29 for a summarisation of the key statistically significant results of both tests).

Table 6.29 – Summarisation of the Statistically Significant Results Between Characteristics of Entrepreneurs and SMTEs and Importance of Formal and Informal Networks in SMTEs Learning

Output	**Mean Rank**	**Median**	**r Value**	**Effect Size**
Importance of Formal Network				
Formal Tourism Training			.2**	Small**
• Yes	72.40	4.00		
• No	55.80	4.00		
Business Plan			.2*	Small*
• Yes	66.80	4.00		
• No	53.98	4.00		

Years Living in Terengganu • Up to 40 • 41 and above	 68.72 54.63	 4.00 4.00	.2*	Small*
Business Capital 1) Personal Savings • Yes • No 2) Families • Yes • No	 55.85 75.79 50.15 71.20	 4.00 4.00 4.00 4.00	 .3** .3***	 Medium** Medium***
Age • Below 40 • 56 and above	 38.37 24.98	 4.00 3.00	.4**	Medium**
Years Working in Tourism Sector • Up to 2 • 3-8	 35.70 49.93	 4.00 4.00	.3**	Medium**
Importance of Informal Network				
Years of Previous Work Experience • Up to 2 • 6 and above	 59.49 43.61	 4.00 4.00	.3**	Medium**

Note: Confidence Interval, *p<0.05, **p<0.01, ***p<0.001

Interestingly, 7 out of 17 characteristics had significant differences and relationships with the importance of formal networks in SMTEs learning. These 7 characteristics consist of formal tourism training, business plan, years living in Terengganu, business capital, age, years of working in the tourism sector and years of previous work experience. Basically, the results indicate that the group of entrepreneurs or SMTEs with the experience of participating in formal tourism training is more appreciative of the importance of formal networks in their learning process. This inclination is also shared by the group of entrepreneurs and SMTEs that have a business plan within their operations. Since they have a business plan to gain formal capital from banks or other government agencies, the result also showcases the stronger preferences of the group of entrepreneurs and SMTEs with no business capital from informal personal savings and families towards the role of formal networks in their learning process. With regard to age, it is interesting to note that the younger generation of the entrepreneurs (below 40 years of age) has positive acknowledgement of the formal networks as compared to the older group of entrepreneurs (56 years of age and above). This might be attributed to the different way of thinking associated with the younger generations and the plethora of the opportunities offered by the government agencies since the group of entrepreneurs with shorter years relatively living in Terengganu (up to 40 years) holds the role of formal networks in high regard. At the same time, it is equally important to note that entrepreneurs with relatively longer years of working in the tourism sector (3 to 8 years) also realise the crucial role of formal networks as a vital source for business learning.

As for the informal networks, there is only a single characteristic that had significant differences and relationship. That characteristic is the years of working experience. Entrepreneurs with fewer years of working experience (up to 2 years) are more appreciative of the role of informal networks as compared to the ones with more years of working experience (6 years and above). This is to be expected especially as when the entrepreneurs have a rather limited working experience in businesses, they are likely to have help from experienced family members or friends (Chen & Elston, 2013).

For the final part of the chapter, the influences of the use of formal and informal networks on the business management and annual sales turnover are analysed with the hierarchical linear and multiple regression analysis. This analysis was chosen in order to control the potential influences from four selected variables, namely, years of previous work experience, years of working in the tourism sectors, business categories and years of business operation. In addition to this, the mediating role of absorptive capacity on the use of formal networks and business performance was also examined. Given the large number of hierarchical regression analyses conducted, it is important to bear in mind that there were violations with some of the model estimations. This can be seen in all the analyses that involved the dependent variable of annual sales turnover.

Because of this, further test of analysis in the form of chi-square test for independence was conducted.

Table 6.30 – Summarisation of the Statistically Significant Results Between the Use of Formal and Informal Networks, Absorptive Capacity, Business Management with the Control Variables

Dependent Variable	Independent Variable	Model Regression, R^2	R^2 Change	Regression Coefficient, β
• Business Management	• Use of Formal Networks	.166*	.040*	.215*
• Business Management	• Use of Informal Networks	.130	.004	.063
• Business Management	• Absorptive Capacity	.516***	.390***	.656***
• Absorptive Capacity	• Use of Formal Networks	.201**	.108***	.353***
• Business Management	• Use of Formal Networks • Absorptive Capacity	.517***	.350***	-.019 .662***

Note: Confidence Interval, *p<0.05, **p<0.01, ***p<0.001

With this premise, Table 6.30 above shows the summarisation of the statistically significant results of the hierarchical linear and multiple regression analysis that involved business management as a dependent variable. Table 6.31 shows the statistically significant results of the chi-square test for independence that involved annual sales turnover as the dependent variable.

Table 6.31 – Summarisation of the Statistically Significant Results Between the Use of Formal and Informal Networks, Absorptive Capacity and Annual Sales Turnover

Analysis	Chi-square (x^2)	Effect Size (Cramer's V)
The Use of Formal Networks	21.978***	.327***
• Size	15.444**	.274**
• Trust	21.993***	.327***
• Frequency of Communication	19.897***	.311***
The Use of Informal Networks	8.581	-
Absorptive Capacity	5.505	-

Note: Confidence Interval, *p<0.05, **p<0.01, ***p<0.001

Comparing both results of analyses, all the results of the chi-square were identical with the results of the hierarchical regression analysis with the exception of the results between the dimensions of the use of formal networks and annual sales turnover. Notably, the results of chi-square test for independence indicate that size, trust and frequency of communication within the entrepreneurs' formal networks contributed significantly to the SMTEs annual sales turnover with medium effect (see section 6.6.7).

In contrast with the results of the hierarchical regression analysis, there was no unique significant contribution made by any of the dimensions of the use of formal networks (see section 6.6.1). As for the use of informal networks, interestingly, they did not have any statistically significant relationship with both financial (annual sales turnover) and non-financial (business management) measurements of business performance despite the positive preceding descriptive results for its' characteristics and importance in SMTEs learning. With regards to the absorptive capacity, the variable had a statistically significant relationship with the business management. This result is supported by the unique significant contribution made by one of the variable's dimensions, namely, transformation of knowledge.

Despite the positive result, however, there was no statistically significant relationship between the absorptive capacity and annual sales turnover. This may be due to the nature of the resources exchanged between the entrepreneurs and their networks as the knowledge absorbed can positively improve the business management, but not the annual sales turnover in particular. The nature of the contents or resources exchanged between the entrepreneurs and their networks will be examined in the Chapter 8 in order to provide a better understanding of the different impacts of absorptive capacity on the SMTEs' performance.

Regarding the final phase of quantitative analysis, this involved the inclusion of knowledge absorptive capacity as a mediator between the use of formal networks and business management in the hierarchical regression analysis. Since there were violations of Baron and Kenny's (1986) conditions, a test for mediating effect of absorptive capacity between (1) the use of informal networks and business management, (2) the use of formal networks and annual sales turnover and (3) the use of informal networks and annual sales turnover could not be conducted. On the other hand, the test for mediating effect of absorptive capacity between the use of formal networks and business management was conducted since there was a statistically significant relationship between the use of formal networks and absorptive capacity. The regression model estimation shows that this was the case between the two variables as trust make a unique significant contribution to the variance of business management.

Based on this premise, the result of the final phase revealed that there was a strong and significant mediation effect of absorptive capacity between the use of formal networks and business management as the model estimation is deemed to have achieved a satisfactory goodness-of-fit. From this, it can be concluded that knowledge absorptive capacity surfaces as a function of the use of formal networks. Specifically, the 'transformation' of knowledge absorbed from the entrepreneurs use of formal networks' was a consequence of 'trust' that they had with each other.

Considering the dynamic interactions between trust and transformation of knowledge absorbed from the entrepreneurs' use of formal networks, this helped contribute to the substantial positive improvement of business management. With the conclusion of this chapter, the next chapter will focus on the discussion of the qualitative results of the motivations of business start-up, employment and culture. Essentially, the next chapter complements the quantitative descriptive results reported in Chapter 5 and will serve as the premise for Chapter 8. In other words, the next two chapters will provide a richer explanation and detailed understanding of the reported quantitative results between the characteristics of entrepreneurs and their SMTEs, the use of formal and informal networks, absorptive capacity, business management and annual sales turnover.

CHAPTER 7
BACKGROUND CONTEXT ON MOTIVATION, NATURE OF EMPLOYMENT AND CULTURE OF ENTREPRENEURS

7.1 Introduction

It is the aim of this chapter to further expand the results discussed in Chapter 5 and provide the additional contextual settings of motivation in the SMTEs' start-up, nature of employment and culture of entrepreneurs. The discussion of these three themes is important in providing the qualitative context for the first research objective, which is to understand the characteristics of entrepreneurs and SMTEs.

At the same time, this chapter will also provide the premise for understanding the fifth research objective, which will be further addressed in Chapter 8. In essence, the fifth research objective is to understand the context of relationships between the characteristics of entrepreneurs and SMTEs, the use of formal and informal networks, absorptive capacity and business performance.

The chapter starts with background information of the 14 entrepreneurs and SMTEs that participated in the second phase of data collection of the semi-structured interviews. The background information basically focuses on the key characteristics of entrepreneurs and SMTEs (see Table 7.1) that were reported to have significant relationships with the importance of both networks as the SMTEs' source of learning in the previous quantitative chapter. In addition to this, characteristics that were not found to have any significant relationships with the importance of both networks in SMTEs learning are also included in the discussion to provide a broader outlook on the understanding of the fifth research objective (see Table 7.2).

This is important as the discussions within the current and subsequent Chapter 8 are based on the foundations of these two sets of characteristics which are presented in Tables 7.1 and 7.2.

The chapter then moves on to the discussion on the first theme of motivations in the SMTE start-up, followed by the second theme of the nature of employment. Finally, the chapter concludes with the culture of entrepreneurs and summaries of the discussed background contextual settings.

7.2 Background Information of the Entrepreneurs and SMTEs

Within this section, Table 7.1 presents the pseudonyms and 7 key characteristics of entrepreneurs and SMTEs that were found to be significantly associated with the importance of formal and informal networks as the source of business learning. This is then followed by Table 7.2, which shows the other set of characteristics without any significant relationships with the respective networks.

Both presentations in Tables 7.1 and 7.2 on the characteristics of entrepreneurs and SMTEs are important in analyzing and interpreting the qualitative results of the contextual settings where they operate. Furthermore, the presented characteristics can be examined through the perspectives of their underlying qualitative relationships with the formal and informal networks, absorptive capacity and business performance in the subsequent chapter.

The main reason for these linkages in both chapters is to understand the qualitative inter-sectoral comparisons between hotels, travel agencies, restaurants and handicrafts despite the absence of their quantitative statistical relationship (see the result of the business category in **Sub-Appendix 4.2**) with the networks as the important sources of SMTE learning. Nevertheless, it is important to bear in mind the descriptive comparisons as reported in Chapter 5 (see section 5.3), where the distinctiveness of the characteristics for each type of the SMTE is highlighted given some of its' distributions.

Pseudonyms are required for the confidentiality and protection of the entrepreneurs' personal information for participating in this research. As for the details of the SMTEs' businesses, it is important to note that Batik 1, Batik 2, Batik 3 and Batik 4 are involved in the *batik* and *songket* businesses while Keris 1 specialises in the craftsmanship of the *Keris*.

The *Keris* is basically a double-edged dagger and is synonymous with the Malay culture and way of life as it is used for both combat and in ceremonies as well as being an object of status and reverence.

Looking at the sub-sector of hotels and resorts, all of them can be categorised as city or urban hotels given the location of the research setting. For the restaurants, Restaurant 1 specialises in *akok*, which is a traditional Terengganu snack or dessert, while Restaurant 2 is associated with *keropok lekor*, (a type of traditional Terengganu snack) and Restaurant 3 serves the Terengganu traditional cuisine of *nasi dagang*.

In the context of travel agencies, Travel Agency 1 and Travel Agency 3 specialises in inbound travel, which focuses on islands, cities and transportations. On the other hand, Travel Agency 3 provides inbound and outbound travel that focuses on *Umrah* and other Asian destinations. For clarification, *Umrah* is a pilgrimage undertaken by Muslims to Mecca in Saudi Arabia and may be performed at any time of the year.

Table 7.1 – Pseudonyms and Key Characteristics for Entrepreneurs and SMTEs

Entrepreneurs & SMTEs	Industry	Formal Tourism Training	Business Plan	Years Living in Terengganu	Business Capital		Age	Years Working in Tourism Industry	Years of Previous Work Experience
					Personal Savings	Families			
Mr. A of Batik 1	Handicraft	No	Yes	41 & above	Yes	No	41-55	3-8	6 & above
Mrs. B of Batik 2	Handicraft		No	41 & above	No	Yes	41-55	9 & above	Up to 2
Mr. C of Batik 3	Handicraft		Yes	Below 40	Yes	No	Below 40	9 & above	Up to 2
Mr. D of Batik 4	Handicraft		No	41 & above	No	Yes	41-55	9 & above	Up to 2
Mr. E of Keris 1	Handicraft		No	41 & above	No	Yes	41-55	9 & above	Up to 2
Mr. F of Hotel 1	Hotel		Yes	41 & above	No	Yes	41-55	9 & above	6 & above
Mr. G of Hotel 2	Hotel		No	Below 40	Yes	No	Below 40	3-8	6 & above

Mr. H of Hotel 3	Hotel		Yes	41 & above	Yes	No	56 & above	9 & above	6 & above
Mrs. I of Restaurant 1	Restaurant		No	41 & above	Yes	No	41-55	9 & above	Up to 2
Mr. J of Restaurant 2	Restaurant		Yes	41 & above	Yes	Yes	41-55	9 & above	6 & above
Mr. K of Restaurant 3	Restaurant		Yes	41 & above	No	Yes	41-55	9 & above	Up to 2
Mr. L of Travel Agency 1	Travel Agency		Yes	41 & above	No	No	56 & above	9 & above	Up to 2
Mr. M of Travel Agency 2	Travel Agency		Yes	41 & above	Yes	No	41-55	9 & above	Up to 2
Mr. N of Travel Agency 3	Travel Agency		Yes	Below 40	Yes	No	Below 40	9 & above	Up to 2

Source: Author

Table 7.2 – Continuation of Other Characteristics of Entrepreneurs and SMTEs

	Gender	Ethnicity	Marital Status	Education	Formal General Business Training	Owner-ship	Years in Business	Business Capital			Number of Employees			Annual Sales Turnover (RM)
								Friends	Banks	Gov. Agencies	Full time	Part time	Family	
Mr. A	Male	Malay	Married	High school	Yes	Individual	10-24	No	Yes	No	3	0	0	Less than 100,000
Mrs. B	Female	Malay		High school	No	Individual	10-24	Yes	No	No	15	0	2	[redacted]
Mr. C	Male	Malay		Diploma	Yes	Individual	10-24	No	Yes	No	2	0	2	RM100,001 – RM199,999
Mr. D	Male	Malay		High school	No	Individual	10-24	No	No	No	2	0	2	Less than 100,000
Mr. E	Male	Malay		High school	No	Individual	25 & above	No	No	Yes	2	0	2	Less than 100,000
Mr. F	Male	Chinese		Diploma	No	Individual	10-24	No	No	No	40	0	0	RM2,100,000 – RM2,999,999
Mr. G	Male	Malay		Diploma	No	Joint	Up to 9	No	No	No	5	0	5	Less than 100,000
Mr. H	Male	Malay		Master	No	Individual	25 & above	No	No	No	15	0	0	Less than 100,000

Mrs. I	Female	Malay		High school	No	Individual	25 & above	No	No	Yes	3	0	3	RM300,000 – RM1,199,999
Mr. J	Male	Malay		High school	No	Individual	10-24	No	No	Yes	38	0	1	
Mr. K	Male	Malay		High school	No	Individual	25 & above	No	No	No	10	0	10	
Mr. L	Male	Chinese		High school	No	Individual	10-24	Yes	No	No	3	0	1	
Mr. M	Male	Malay		Degree	No	Individual	Up to 9	No	No	No	6	0	0	RM2,100,000 – RM2,999,999
Mr. N	Male	Malay		High school	Yes	Individual	10-24	No	Yes	No	5	0	0	RM300,000 – RM1,199,999

Source: Author. *Note: Gov. = government; * The black boxes of annual sales turnover of Mrs. B, Mr. J, Mr. K and Mr. L reflect the non-responses on the question.

7.3 Motivations in Starting-up the SMTEs

There were various main motivations in starting up the SMTEs and this, interestingly, can be linked with the next theme of the nature of employment. Notably, the majority of the handicrafts businesses like Batik 3, Batik 4 and Keris 1 were initiated from previous generations and were passed on to the current generation or family members. This can be seen in the years of business operation as it is apparent that these businesses have been in operation for more than a decade (see Table 7.1). In fact, this is the case with other sub-sectors as well given the distribution of the entrepreneurs' ages and years of living in Terengganu where the majority of entrepreneurs' ages have been identically recorded as more than 40 years old (see Table 7.1).

In particular, the identical records are because the majority of them have been living in Terengganu for most of their life (see also section 5.2.6 in Chapter 5). However, the difference between the mentioned handicraft SMTEs and others can be identified in the composition of the employment, with all of them consisting of family members. Within these intergenerational business environments particularly, Mr. C of Batik 3 explained that the spark of his passion started with his father and then it evolved to his determination in keeping the business in the family and his desire to be his own boss:

> *When my father started the business in male clothing, both of my parents trained me to be a good sewer. Since I was very young, I have been able to sew my own school uniform, pillowcase and curtains. Up to this day, I still do it and I am still passionate about it. Since I do not have high qualification of formal education as I do not have an interest to study, I involved myself in the family business.*

This highlights one of the examples of the 'push' and 'pull' factors of motivation (Burns, 2001; Glancey & Pettigrew, 1997) for Mr. C. The lack of education 'pushed' him to consider the family business and the 'pull' factors made him determined to ensure the business operation was run within the circle of family members as well as the personal desire not to have a boss dictating his direction.

Apart from these factors, skill and passion are also vital in keeping the business within the family. This can be seen in the heritages of the craftsmanship in making the *keris*. Evidently, it is important to note that both skill and passion have been ingrained since the entrepreneurs were young as they have been exposed to technical training within the intergenerational business environment. Mr. E of Keris 1 disclosed:

> *For decades, the villagers would gather and make the keris in this small space of the village. Given that I was born and bred here, the craftsmanship of the keris made me passionate about it. Furthermore, the previous generations are getting older, so it is my time to continue this craft. It is important to be passionate about the keris. If you are not passionate about it, it is difficult for you to fully understand the soul and essence of it.*

Similar situational contexts of an intergenerational business environment involving skill and passion can also be observed in the restaurant sector. Historically, the business of Restaurant 3 has been in operation since the 1950s where it was started by the mother of Mr. K. He inherited the business of selling *nasi dagang* for breakfast and ran it with his extended family members. Considering that the restaurant has been in operation for almost 70 years, it is clearly the oldest intergenerational business interviewed in this research.

On the other hand, there are also cases where the passion for having a business can be a strong motivation especially in the craft of batik, despite not possessing any technical skills or relevant experience. This is further heightened by the absence of any entrepreneurs that participated in any formal tourism training. Likewise, there is also a lack of entrepreneurs that participated in formal general business training. Moreover, the majority of the entrepreneurs interviewed did not have the qualification of higher formal education which would provide the theoretical basis for tourism business operation (see Tables 7.1 and 7.2). The clear empirical evidence of the lack of training and lower level of education, it highlights the low barriers of entry as the identification of a business opportunity becomes an important factor in establishing an entrepreneur's own SMTE

(Morrison & Teixeira, 2004; Szivas, 2001). For instance, Mr. A of Batik 1 only had a high school qualification and accumulated 3 to 8 years working in the handicraft sub-sector before he started his business. He remarked on the reason behind his decision to start-up the business in batik:

> *I think batik is a necessity and I can sell it easily. Plus, batik is something that we can keep in our stock for a very long time without any degradation in terms of quality. If any design of batik does not perform well at any point in time, I always have the option to keep it in my stock. Sooner or later, I will always be able to sell it.*

The sentiment of seeing a business opportunity was also echoed by Mr. D of Batik 4, Mr. J of Restaurant 2 and Mrs. I of Restaurant 3, who had similar backgrounds with Mr. A in terms of the absence of an intergenerational business environment and lack of technical skills, training and the qualification from higher education. They recalled the moment when they seized the business opportunity through slightly different individual pathways to the SMTE's start-up:

> *Our family started off with a canteen business at University and school. But, we stopped doing the business as the profits gained were not worth the hard shifts that we put in everyday…my mother gave me an idea, whereby she told me to open a 'keropok lekor' restaurant in Kuala Nerus since she had land. She asked me to use that land and start my own business. Given that this is Terengganu, where people really like keropok lekor, I agree. She also provided me with the recipe for keropok lekor.* (Mr. J).

> *Since I was young, I have always had the passion to do my own business and I have a lot of experience doing business in lots of different places like selling fish in the market, handling a grocery store and working in a textile business. The reason why I chose batik is because at the time, the business was booming.* (Mr. D).

When I took over the business from my elder brother, I saw the potential of this restaurant when I worked with him. I saw that the akok business has its' own market and plus, all of the facilities are there. It is a matter of me buying all the equipment and continuing to improve the recipe and the business. (Mrs. I).

Evidently, there are additional dimensions to the business opportunity from the above quotations as they highlight the two aspects of economic incentive and previous work experience in their respective sub-sector. Interestingly, these two aspects can also be seen in the sub-sectors of hotel and travel agency. Not limited to the restaurants and handicrafts, clearly some of the entrepreneurs of travel agencies emphasised the importance of the years of work experience in the tourism sector in 'pulling them' to personally developed and established their own businesses. This can be seen in the following quotations from Mr. N and Mr. M:

I have gained 10 years of experience working with other people at different companies like resorts, travel agencies and hotels. So, I could compare which one was better for me and start my own company. (Mr. N of Travel Agency 3).

At that time, I was in the operations department at a public travel agency, personally handling the packages to the Middle East. I performed well and I became the General Manager for 6 years. After that, I realised there was a better opportunity and more money if I started my own company. For this reason, I opened Travel Agency 2, where we focus on trips to the Middle East and Umrah. (Mr. M of Travel Agency 2).

Reviewing the overall quotations in relation to the previous years of working in the tourism sector, it seems that they are consistent with the background information presented in Table 7.1, where the majority of the entrepreneurs interviewed had 9 years and above of work experience in their respective lines of works.

As for the other aspects of economic incentive, it is evident in the context of hotels and travel agencies that the recognition of a business opportunity and desire to start the business for the potential profits are the most cited among the entrepreneurs. For examples, some of the entrepreneurs of hotels and resorts and travel agencies said that:

> *Like this hotel, the location is near to the airport and stadium. Meaning there is a potential. Given that the economy at the time was okay, I looked for two other partners and here we are.* (Mr. G of Hotel 2).

> *…at the time I looked at the progress in the tourism sector, and I noticed that there was no city hotel in Kuala Terengganu. My main aim was to attract walk-in customers like a salesman…I only thought about selling rooms for my potential city hotel at the time.* (Mr. F of Hotel 1).

> *I want to do business… I want to create my own package and products… It is easy because it is a matter of whether you are confident or not. Tourist and natural attractions are there; it is only a matter of you bringing the people and visiting the places. From this, you can get good commissions.* (Mr. N of Travel Agency 3).

> *I like doing business and I want the money.* (Mr. L of Travel Agency 1).

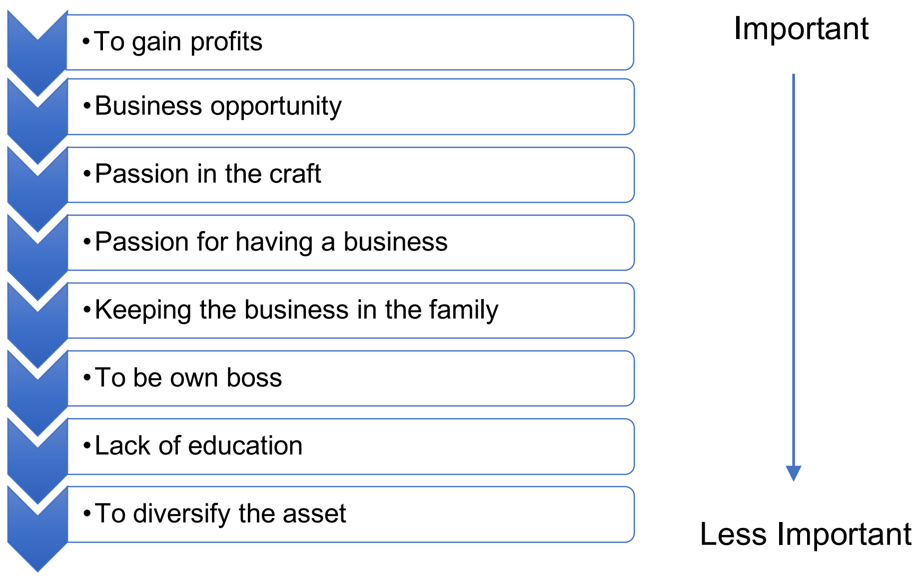
Linking these mentioned desires to gain profits with the annual sales turnover, the results reported in Table 7.2 are consistent to a certain extent given that all the travel agencies interviewed were recorded to have higher annual sales turnover compared to other sub-sectors. In fact, Mr. F of Hotel 1 had the highest annual sales turnover despite the relative contrast of sales recorded by the other hotels. Looking closely in the context of hotels, it is also notable that there is a distinctive case in this study where a retired wealthy owner (Mr. H), originally came from a different industrial background. Basically, he has numerous business assets in the country.

In the late 1980s, an opportunity arose for Mr. H to buy a strategic asset in the form of government hotel property in the central location of Kuala Terengganu. Interestingly, he explained the main reason for the property's purchase:

I want to diversify my assets, my portfolio and this hotel is a part of it.

All motives considered, it can be concluded that there are various 'pull' and 'push' factors that consequently led to this group of entrepreneurs starting up their SMTEs. Essentially, these motives or factors can be summarised accordingly in the following order of importance (see Figure 7.1). From the summarisation, it can be observed that the majority of the important motivations for the start-up of SMTEs are the 'pull' factors, which essentially are based on the economic incentives that include profits, business opportunity and a passion for having a business. This is in contrast with the empirical evidence in the United Kingdom and Australia, where these factors are secondary given that most of the entrepreneurs are more inclined to achieve the goals of their lifestyle (Lashley & Rowson, 2010; Morrison & Teixeira, 2004; Szivas, 2001; Getz & Carlsen, 2000).

Figure 7.1 – Summarisation of Motives in SMTE's Start-up



Source: Author

Evidently, this result provides further empirical support to Jaafar et al.'s (2011) study, where they revealed that becoming financially independent and exploiting a business opportunity are part of the main motives in the SMTEs' establishment in Malaysia. In addition, it is equally important to note that the roles of other factors such as passion in the crafts and keeping the business in the family are the crucial links in the understanding of the next theme of the nature of employment. With this in mind, the following section examines the discussion of this particular theme.

7.4 Nature of Employment

There are basically two main perspectives that can be derived from this group of entrepreneurs. The two perspectives are the internal and external impacts on the SMTE's nature of employment. Specifically, internal impacts are more on the entrepreneurs' personal inclinations towards employment, whether they have a strict personal policy to just employ family members or they adopt a rather more flexible approach where they are more receptive to open employment outside of the family circle. Interestingly, in the context of Mr. E of Keris 1, his personal approach of employment can be linked with the motive of his SMTE's start-up, which is the passion for the craft. This was clearly demonstrated when Mr. E of Keris 1 stated:

> *All our trainees or employees came from the sons of keris makers in this village. If people outside this village wants to work here, they need to have a passion for keris first and foremost.*

Keris 1 is quite a unique handicraft business, which is centrally located in a village in the city of Kuala Terengganu. For generations, the business has been operated by Mr. E's family and they hire people within that village. Given the status of *keris* in Malay culture, the village has long embraced and associated themselves with the distinctive identity of the business. This explains the reason why all the employees of Keris 1 came from the same village and families.

Nevertheless, the employment approach taken by Mr. E is considered to be quite open since he is still willing to hire people outside of the village if they have passion for the craft. This is in contrast with other entrepreneurs that are stricter with their employment such as Mr. K of Restaurant 3. He remarked:

> *All the employees here are my family. I do not want to hire outsiders because I do not like it. I do not think they are able to do the work that is required here in the restaurant.*

The strict approach of employment adopted by Mr. K is consistent with another motive of an SMTE start-up, which is to keep the business within the family. In the same vein, Mr. D of Batik 4 further elaborated the reasons behind some of the entrepreneurs' reluctance to hire people outside of the family members:

> *There are many challenges when I want to hire people because some of them are not disciplined with the work. On some days, they will come for work and on the other days, they do not even bother to come and there is no reasonable explanation. There are also the ones that only came for 2 weeks, and then they would quit. In the worst cases, they just quit without giving me any notice.*

Clearly from the quotation, the reliability of the potential employee is an important factor in an entrepreneur's inclination towards their employment. Due to the difficulties in finding reliable employees for the business operation, it explains the unwillingness of certain entrepreneurs in looking outside of the family circle for SMTE's employment. It is argued by Mr. D that by hiring family members, they:

> *…. are more disciplined in helping out with the business.*

This is in line with Mr. K's desire to create job opportunities or employment strictly for his family members considering the nature of his business, which involves hard work. Besides that, he also wants to maintain the camaraderie of the working environment since the restaurant has been operated by the same members of his family for decades.

Aside from discipline, reliability and camaraderie, Mr. G of Hotel 2 claimed the reason behind his approach in only employing his family members is:

> *…because I find that it is much easier to deal with the family members as compared to people that we do not know.*

Interestingly, Mr. G's reasoning behind the need to hire family members is also a similar factor behind the approach of Mr. N of Travel Agency 3 in looking outwards for employment as he said:

> *I do not hire family members actually. I like to hire people outside of my family. In fact, all my employees are outsiders. I feel that it is easier for me to manage the people outside of my family circle.*

From both quotations of Mr. G and Mr. N, it can be asserted that people management is an important aspect, which can dictate the direction of an SMTE's approach towards employment. The two contrasting inclinations also can be attributed to the cultural factors of Malaysian people: (1) relationship-oriented and (2) saving face. (Abdullah, 1996, see Table 2.3 in Chapter 2). In the context of Hotel 2, for instance, it seems that Mr. G has reciprocal relationships with the employees since they are his family members and he does not need to spend the time to build trust and personal relationships.

Nevertheless, it is also important to note that with familial ties, business and private lives become intertwined (Abdullah, 1996). Considering the importance of maintaining an individual's face in sustaining a relationship (Abdullah, 1996), there might be complications involved for certain entrepreneurs like Mr. N in dealing with sensitive issues in a business operation with family members. As explained in Chapter 2, the preservation of the individual's face by not criticising him or her in front of others is very important for Malaysians since criticising them will lead to the embarrassment of the individual's family. This is because Malaysians are considered as collectivistic in the sense that people are integrated into groups or families where they are very loyal towards each other.

This explains Mr. N’s inclination in looking outward in terms of his SMTEs’ employment. On the other hand, not all the entrepreneurs that adopt open employment have explicit reasoning behind their approach. This might be attributed to the unwillingness of entrepreneurs to share the explicit reasoning behind their inclinations in employment. At the same time, it is also undeniable that there are a number of them just hiring for the sake of hiring so that the business operations have sufficient workforce. This can be seen in the following quotations from Mrs. B, Mr. H and Mr. F:

> *I have employed both family members and outsiders… I do not have any particular reason behind it.* (Mrs. B of Batik 2).

> *There are no family members employed in this hotel… No, I do not have any reason for that.* (Mr. H of Hotel 3).

> *Yes, all my employees are outsiders… No, I do not have any reason.* (Mr. F of Hotel 1).

Another interesting characteristic of this group of entrepreneurs is that they are also likely to be impacted by the external factor in the form of market behaviour. When there is a fall in sales due to the decreasing buying power of their markets, naturally it will impact the SMTE and entrepreneur’s approach towards employment. This happened in Batik 3, where Mr. C explained:

> *I used to hire 7 to 8 employees because of the high demands… Now, I do not hire any employees because there is no need, and the demands are not as high as to 4 or 5 years ago. So, it is only me and my brother that run the operation.*

In contrast, if there is an increasing demand where the sales are consistent and can sustain the SMTEs’ operation, the approach of employment changes the other way around as demonstrated by Mr. J of Restaurant 2:

When I first started the business, I hired 3 employees. Now, I have about 40 employees working full-time at the restaurant. At the beginning, I started to employ my family members and when my business grew, I looked to hire more people outside my family's circle in order to sustain the operation.

Taken altogether, there are various approaches of employment adopted by the entrepreneurs in Terengganu depending on the respective characteristics of their businesses, personal inclinations as well as the external factor of market behaviour. This means that some of the entrepreneurs' approach towards the employment is dynamic to a certain degree, given that it can change or evolve depending on the impacts of the internal and external factors of the SMTE's environment.

7.5 Culture of Entrepreneurs

In the prior section, there are indications of where the entrepreneurs reflect on their cultures as being relationship-oriented and seeing face as being important within the context of employment. Bearing this in mind, it is also argued that the same cultural context can be seen in an entrepreneur's networking. For example, there are various cultural aspects that can be observed in the following quotations:

Every time I have a new idea, I will ask my father first and foremost. If he is okay with the idea, then we will look at the budget… (Mr. C of Batik 3).

When my wife has an idea, she will bring it to me first and I will decide. (Mr. D of Batik 4).

If there is a business proposal that requires a substantial amount of budget, I will always refer to my older brother and discuss it with him (Mr. J of Restaurant 2).

One common denominator from the above quotations is the hierarchical culture that is clearly reflected by the respect given to older family members or the traditional leader of the family. Given that they expect the seniors and leaders of the family members to take the lead, it also signifies the culture of being relationship-oriented and considering 'face' in their relationships.

The aspect of being relationship-oriented and considering face can be seen in the understanding of Mr. J's context, for instance. Basically, Mr. J is the owner of Restaurant 2 and his older brother is employed to take care of the operation. Despite the position as the owner of the restaurant, Mr. J still appreciates the seniority of his older brother and the relationship between them. For this reason, Mr. J always has consultations about serious business proposals with his older brother. Furthermore, this action is also important in preserving the older brother's face considering his positions within the hierarchy of family and the restaurant. The same interpretation of the hierarchy and preservation of the individual's face due to the position of seniority and men as traditional leader of the family can also be made in relation to both contextual settings of Mr. C and Mr. D respectively.

Apart from this, the networking activity in the different context of Travel Agency 2 exhibits another cultural trait of collectivistism, which is synonymous with the Malaysian people (Abdullah, 1996). This can be seen when Mr. M explained his intention to cooperate with other travel agencies in combining and managing their tourists that are going to the same destination:

> *Because we have good relations with everyone, there is no jealousy among us. For example, my agency has 5 tourists, agency B has 3 tourists and agency C has 2 tourists. So, we decide to combine everyone and proceed. Easy to manage as there is no issue of you have less income or other people manage to have more income… We are okay with everyone around us, so there is no problem of us working together and sharing the market.*

Mr. M shows that there is a sense of togetherness among the travel agencies as they become a collective in managing the tourists. At the same time, it also brings the cultural aspect of '*gotong-royong*' (co-operation based on communality) into the discussion as the collective effort among the travel agencies reflects the less individualistic and confrontational approach (Storz, 1999). Combining this spirit of togetherness with the religious belief where the entrepreneurs put their total faith in the will of God has further make this cooperation achievable and successful. As Mr. M puts it:

> *My main practice in business is that profit is secondary as I believe no matter how hard we try, if it is not destined for us, we will never get it.*

Similar observations of the religious context can also be seen in the following quotations:

> *If there is no profit, that means it is not meant to be. Maybe it is destined for my friends if they manage to generate profits out of it. As the thing stands, everything is still okay, alhamdulillah (all praise to God).* (Mr. A of Batik 1).

> *It depends upon God's will. There was this one event where we did not get it, so I am used to it… I believe everyone has their own share, their own sustenance, God willing.* (Mr. H of Hotel 3).

The above quotations reflect the significant role of religious belief in the operation of certain SMTEs in terms of business decision making and inclination of entrepreneurs to engage in networking activities. Combining the aspect of religious belief with the four cultural factors of; (1) relationship-oriented, (2) face, (3) hierarchy and (4) collectivism should provide a positive platform for entrepreneurs and SMTEs in Terengganu in forming profitable and cohesive networks. However, the formation of the network and the degree of entrepreneurs' involvement with it also depends on the other factors, especially when the context of the current research involves four different tourism sub-sectors in Terengganu. This will be further discussed in the next chapter.

7.6 Summary

Across the four sub-sectors in this research, only restaurants and handicrafts have the intergenerational factor, where the owners have the distinctive characteristics of motivation and employment. In terms of motivation, the owners cited their passion for the craft and keeping the business within the family as the reasons behind their involvement in the business. Their employment approach is distinctive in the hiring of family members or close associates with the view of maintaining the generations of camaraderie and dynamic of the business operation. Despite these distinctions, it is interesting to note that owners from other restaurants or handicrafts without the intergenerational factor seem to share a similar motivation and employment approach to that of owners of the hotels and travel agencies. The majority of the motivations for these owners are centred on economic incentives such as making business and gaining profits. In the same vein, their employment approach is much more flexible compared to intergenerational businesses, where the aim is to have sufficient employees for the business operation.

However, it is also important to note that both restrictive and flexible approaches of employment within the four different sub-sectors can be impacted by the aspects of people management and the external factors of market behaviour. In relation to people management, it seems that entrepreneurs have a certain inclination in hiring either outsiders or family members. As discussed, it all depends on the level of comfort felt by entrepreneurs in managing the outsiders and family members within the business environment. Despite this, entrepreneurs still understand the potential changes brought by the market behaviours and their inclinations in employment. This is to be expected considering that they need to protect the sustainability of the business by reducing the operational employment cost particularly when the economic situation is unhealthy. This can turn the other way around when the economy is positive and the business is thriving (see Mr. J remarks in section 7.4 for instance).

Seeing the similarities in both contexts of motivation and nature of employment across the four sub-sectors, it is important to note that these can be linked with the characteristics presented in Table 7.2. Evidently, the intergenerational businesses can be differentiated from others by focusing on the two characteristics of the years of business operation and the composition of employment. Generally, the majority of the businesses have been in operation for 10 to 24 years and most of the composition of employment reflects that the owners are flexible with the numbers of outsiders and families employed. However, different contexts of employment approach can be revealed when the two characteristics of years in business and years living in Terengganu are linked to identify the intergenerational businesses. As can be seen in Table 7.2, it is notable that half of the intergenerational handicraft and restaurants businesses (Batik 3, Batik 4, Keris 1, Restaurant 3) have been in operation for 25 years and above as their composition of employment indicates an interesting pattern, with all of the owners only employing family members.

Another interesting facet of the characteristics that is important to discuss is the years of living in Terengganu. This is highlighted considering that all the entrepreneurs interviewed have been living in Terengganu for most of their lives when the results are compared against their age. The nature of this characteristic basically indicates that all the entrepreneurs interviewed are accustomed to the culture of Malaysia generally and this is clearly exhibited by the role of religious beliefs and the way entrepreneurs utilise their networking within business environments across the four sub-sectors. Looking at the overall context of motivation, employment and culture of entrepreneurs and four different sub-sectors of SMTEs in Terengganu, it can be concluded that the majority of them share similar dimensions and characteristics. Apart from the intergenerational businesses of handicrafts and restaurants, this is evidenced by the lack of distinctive qualitative dimensions of motivation, employment and culture, which clearly highlights the differences of the four sub-sectors. With these understandings of the contexts of the inter-sectoral comparison, it is interesting to examine the qualitative aspects of the formal and informal networks, absorptive capacity and business performance across the four sub-sectors in the next chapter.

CHAPTER 8
QUALITATIVE CONTEXT OF NETWORKS, ABSORPTIVE CAPACITY AND BUSINESS PERFORMANCE

8.1 Introduction

This chapter extends on the results of Chapter 7 and analyses and discusses the qualitative context of networks, absorptive capacity and business performance of entrepreneurs and SMTEs in Terengganu, and in so doing addresses the fifth research objective. In researching this objective, it is important to understand that the use of networking is the crucial variable that links absorptive capacity and business performance. This is evidenced by the discussions in the literature review and the presented quantitative results in Chapter 6. As established across the research, there are two types of networks – formal and informal. Based on the prior quantitative findings, the informal networks do not have any influence on or contributions to the SMTEs' performance in terms of business management and annual sales turnover. This contrasts with the use of formal networks, where some significant relationships were found.

To understand the qualitative context that contributed to these quantitative results, the chapter starts with a discussion on the first theme of formation and inhibiting factors of networking. Using the formation factors of networking as the premise, the chapter then moves on to the theme of activities invested in by the entrepreneurs in sustaining their formal and informal networks. With the willingness of entrepreneurs to engage in maintaining these relationships, it is crucial to understand the subsequent theme of network content as it highlights the underlying influences of absorptive capacity as well as the positives and issues of networking. Naturally, the positive aspects of networking, involves important impacts from the contents and knowledge absorption on the SMTEs' annual sales turnover and business management. The theme of issues of networking is addressed through the unfulfilled expectations of entrepreneurs and SMTEs from certain relationships of their networks.

8.2 Formation and Inhibiting Factors of Networking

This section discusses the important factors that help to encourage the formation of networks among the entrepreneurs apart from the culture of networking (see section 7.5 in Chapter 7). As discussed in the prior chapter, the dynamic of the networking culture among the entrepreneurs interviewed should further encourage them to engage actively with their networks. However, it is equally important to also understand the factors that inhibit entrepreneurs in engaging with their networks considering that there are a few cases of this happening. Looking across the 14 interviewed entrepreneurs, there is a considerable mix of formal and informal networks, which range from families, relatives, customers, bank, trade and commerce associations, suppliers, agents, business friends, public and government agencies and other business and private organisations. Accordingly, the most important factor for these entrepreneurs to commit in networking is trust. This can be seen in the following excerpts of their interviews:

> *I totally trust him and he helps me a lot. I listen to his advice because he is a successful entrepreneur.* (Mr. C of Batik 3).

> *Since we have been friends for a long time, we know each other well. So, we trust each other.* (Mr. A of Batik 1).

> *Despite our family members not having in-depth knowledge of hotel management, we still depend on each other because we have the trust…* (Mr. G of Hotel 2).

> *Trust among the General Managers... they are open in sharing the marketing strategies, solutions to the problems… The relationship is built upon the foundation of trust as well as documentations, because they have known each other for so long.* (Mr. F of Hotel 1).

We did research on their background as well. We research, see them, and look at their services. Especially the services, this is very important. If everything is okay, we will proceed to network with them. But still, we require the formal documentation. Whether you know them or not, documentation is very important in business. (Mr. M of Travel Agency 2).

Here, we already know all the providers. So, there is trust. In the travel sectors, in terms of providers, we know each other. If we need any help or assistance, we have our own network of contacts. So, there are no issues in terms of finding contacts. (Mr. M of Travel Agency 2).

It is important for us to protect ourselves especially when you are in a joint venture. When we pay travel agencies in Kuala Lumpur, there is always the risk of them suddenly closing and disappearing with our money. But if everything is okay, we get the customers and the sales… because we trust them, we appreciate their opinions. We too want to learn so it is not matter of whether we know them or not. (Mr. L of Travel Agency 1).

Based on the above statements, it can be understood that trust is important in protecting the entrepreneurs and SMTEs from being defrauded and facing operational and financial losses. In some of the cases, trust is dependent on the nature of the relationship between the entrepreneurs and their respective contacts. If the contacts are family members, there is a minimal barrier for the entrepreneurs to open-up and get support, help or advice from them. The length of the relationship also appears to play an important role in the factor of trust. It seems that the longer the entrepreneurs and their contacts know each other, the better the trust in the relationship. As Brunetto and Farr-Wharton (2007: 366) put it, '*…past behaviours influenced the time taken to develop a trusting and cooperative relationship irrespective of the controls held by each party'.* This again demonstrates the Malaysian culture as being relationship-oriented as they spend time building reciprocal and serious relationships (Abdullah, 1996).

In terms of the context of where networks are built upon the need to exchange resources, they are interestingly transparent in sharing business strategies and solutions. Notably, this is achievable through stability and many years of relationship considering that the majority of SMTEs interviewed have been in operation for 10 to 24 years and are well-versed with the local business environment having spent three to four decades of their years living in Terengganu (see Tables 7.1 and 7.2).

However, not all entrepreneurs considered the years of relationship as the prerequisite given their willingness to connect on the basis of learning and managing business transactions. Apparently, the common prerequisite in the formal business-transaction-based network is formal business documentation (e.g. contracts, invoices or receipts) since this is crucial in protecting the interest of SMTE operations. In fact, documentation helps to foster better trust in entrepreneurs to continue and sustain their networking activities. This is in line with the results presented in Table 7.1, where most of the hotels, travel agencies and restaurants have a business plan which serves as a good indicator of the utilisation of any forms of formal documentation in business transactions. Apart from the role of documentation in fostering trust, it is also interesting to note the formation factor of a profitable situation that can be gained, which can be seen in the context of Mrs. I of Restaurant 1 for instance. The profitable situation refers to contents that she can gain from joining an association where there is no fee involved. She remarked:

> *There is no fee, so I just volunteered myself in the association. That is all. If there were any terms or conditions, I would not be a member of that association.*

Specifically, the contents consist of the opportunity to join the programs designed to raise the profile of Mrs. I's products and undergo workshops to further expand her business for free. This situation reflects the willingness of the entrepreneur to engage in a networking activity with any associations if there is an opportunity to gain worthwhile personal business leverage.

In contrast, there are also situations where the entrepreneur is simply not interested in engaging in networking despite the good potential business opportunities. This can be seen in the following quotation from Mr. K of Restaurant 3:

> *I am not interested in networking. Here, we do everything by ourselves. Lots of people came to me and offered to open another branch in Kuala Lumpur, but I do not want to do it. This restaurant is good enough for me and the family… Air Asia also offered me to sell our food on their flights. I rejected their offer since it is already too tiring in running this restaurant. The restaurant is too busy.*

In fact, Mr. M of Travel Agency 2 noted from his previous work experience in one of the state agencies that was formed to assist the SMTEs that some of the entrepreneurs gave many excuses to not attend any seminars or workshops. He argued that:

> *… they have this mentality that they already knew everything. So, they think it is a waste of time despite the fact that the seminars, the training and even the food are free of charge. They do not support the efforts and they have this lazy attitude, so how can we help them?*

Surprisingly, the lack of interest as well as laziness to engage in networking activities from the perspective of the entrepreneurs were also mentioned by Mr. D of Batik 4 and Mrs. B of Batik 2. They admitted:

> *I do not involve myself in any networking events because I am lazy and not interested. I think I am just fine in running the business by myself because if I engage with any association, it is not worth it. I will not be active.* (Mr. D).

> *I do not entertain any joint venture. I prefer to run the business only with my family. Everything is run by me and the family. In fact, all the products and materials in this shop we get by ourselves.* (Mrs. B).

Another interesting inhibiting factor in the shape of the burden of networking is highlighted by Mr. J of Restaurant 2 as he was determined to stay away from engaging with the banks for financial assistance:

> *Lots of banks asked me to apply for a loan, but I refused. I've never had a loan for my business. For me, if I do that, it will be a burden to pay back the loan. So, it is too messy to think about. It is better for me to personally save my money for further expansion of my restaurant.* (Mr. J).

Mr. J stood by this personal stance despite the intention to further expand or enlarge the operational capacity of his restaurant. To achieve this, he used up all his savings for the business operation and sometimes he even admitted to struggling a lot initially to achieve a return on his investment and survive. Given the refusal to approach a bank for the capital, the alternatives for these entrepreneurs are the public agencies like MARA or Terengganu Entrepreneur Development Foundation (YPU). However, the entrepreneurs also said there were difficulties associated in getting the financial assistance from public agencies. This is reflected in excerpts from Mr. A of Batik 1 and also Mr. J.

> *I do not even try as I know it is difficult to get financial support from them.* (Mr. A).

> *If you want to apply for the financial assistance, you need to fulfil a few of their conditions like having a business plan and going through all the application process such as filling in the forms.* (Mr. J).

Evidently, the conditions such as a business plan and the need to go through all the application process discourage these entrepreneurs since they think that there is a lot of work involved in completing the process. This is consistent with the findings reported in Jaafar et al.'s (2011) study, where the small and medium hotel operators in Malaysia agreed that it is difficult to gain access to any commercial bank loan when they need collateral.

Observing through an inter-sectoral perspective, it seems that only some of the handicrafts and restaurant owners have reservations in engaging actively with their networks. In contrast, there were no hotels or travel agencies interviewed that were unwilling to use their networks given the nature of their businesses where they need to intensively generate sales from the other tourism stakeholders in order to sustain their SMTE and gain profits. This is particularly evident in section 8.4, where the nature of the resources exchange between the entrepreneurs and their networks is analysed. Considering the differences of the inter-sectoral comparisons in their inclination to engage in networking, it is interesting to continue the discussion from this perspective. With this in mind, the next section looks into the networking activities of the entrepreneurs to sustain their important networks.

8.3 Networking Activities

Networking activities can be seen as a form of individual or organisational investment. Certainly, the networking activities from the individual perspective are more personal and can be observed in the following quotations:

> *… I usually ask my friends if I have business questions because we are really close and they are in the same line of business as me. We always have drinks together.* (Mr. A of Batik 1).

> *In today's world, everyone has a mobile phone and now we can use WhatsApp call, which is free. So, my General Manager would personally use WhatsApp calls to communicate with the clients. The clients do not even mind us using the WhatsApp call as long as there is a stable line connection. Even the clients use the WhatsApp calls to contact us…* (Mr. F of Hotel 1).

In the context of Mr. A's situation, there is a minimal barrier between him and his network of close friends as he has maintained the relationship through frequent informal and impromptu meetings at restaurants and other places.

Notably, this activity is more towards Mr. A maintaining his existing contacts given the long years of relationship between them. Comparably, Mr. F has adopted a different approach as he uses his General Manager to build personal relationships through the medium of mobile and online connections. In a broader sense, this approach is suitable for all kinds of purposes ranging from creating new network of contacts to the maintenance and solidification of both new and existing relationships. This is particularly effective as it is claimed that through the usage of WhatsApp calls, the clients feel more appreciated given the personal effort and time spent by Mr. F's General Manager in business discussions. The far-reaching nature of the online medium in the creation of new business relationships can be considerably useful. Mr. F continues to explain how his hotel generate sales from big events or festivals in Terengganu:

> *I direct my sales team to research the big upcoming events in Terengganu. For example, recently we had Terengganu Bike Week and Terengganu East Festival. Then, we identify the right contacts like the organisers, sponsors and participants. From there, either my General Manager will give them a personal call or we will blast the e-mail to everyone involved.*

Examining the above explanation, the approach of networking activities adopted by Mr. F's business combines the individual and organisational level based investments. With regards to the networking activities from the organisational perspective particularly, there are 2 characteristics that can be attributed to it. These two characteristics are communal-oriented or business-oriented. The business characteristic can be seen in the above and following excerpts where Mr. M of Travel Agency 2 highlighted the need to join the business to business (b2b) meeting that involves important providers and other travel agencies in Terengganu:

> *…like we did the other day, a b2b session at Sumai where all the providers and travel agencies participated. Whenever there is a program, we need to join… because this is where the market opportunities are, where we can find solutions to our problems as a travel agency.*

In addition to this, some of the entrepreneurs are even willing to pay annual membership fees with their respective business associations given their roles as one of the main mediums for the government to offer their assistance in solving wide-ranging issues and discussing potential business opportunities. For example, Mr. F has been paying RM1,400.00 (£250) annually to maintain his hotel's membership in the Malaysian Hotel Association (MAH) in order to get early insights into the latest tourism events and the potential sales that can be generated. Mr. H of Hotel 3 pays RM200.00 (£35) annually for the membership in the Malaysia Budget Hotel Association (Mybha) to know the latest hospitality business development in Terengganu. Clearly, the goal of the networking activities as mentioned by Mr. M, Mr. H and Mr. F is business-oriented and involves identification of market opportunities, creating contacts and sales as well as obtaining solutions to the business issues. Besides this, it is also notable that networking activities for owners of most hotels, travel agencies and restaurants are more formal in nature and business oriented as compared to those for owners from handicrafts businesses. This is in line with the motivations for their start-up, which were more based on the economic incentives like profits, business opportunity and passion for having a business (see Figure 7.1 in Chapter 7)

Moving on to the communal-oriented characteristic, the goal of networking activities is primarily to focus on building, maintaining and solidifying relationships. Mr. H of Hotel 3 and Mr. G of Hotel 2 gave examples of their communal networking activity:

> *In terms of the activity, we organise a high-tea event at our hotel and invite all our customers that used to do their events at our hotel to come and enjoy the foods. It is a good opportunity to get to know our customers.* (Mr. H of Hotel 3).

> *When we first opened the hotel, we invited all the staff from Hotel ABC to our small opening event, where there was food and drinks. They came and we got to know each other.* (Mr. G of Hotel 2).

Considering both characteristics, events or programs can be considered as the main medium for organisation-based networking activities. The SMTEs usually participate in the events that are organised by the governments, their associations and other business organisations. Mr. F for instance, admitted that his hotel joins various events organised by the Malaysian Hotel Association (MAH), the Terengganu State Governments and the Malaysian Association of Tour and Travel Agents (MATTA) in view of the business opportunities and sales potential. Albeit with different mixes of goals or purposes, this is also the case with another hotel (Hotel 3) and travel agencies (Travel Agency 2, Travel Agency 3) as there is minimal involvement from the entrepreneurs of restaurants and handicrafts.

From this, it is interesting to discuss further the nature of the contents or resources that can be obtained from the active participation in such events as well as other networking activities. Considering the overall networking activities, it is also worth mentioning that there are certain discussions in this section referring to the contents of the networks of entrepreneurs and their SMTEs such as business solutions, generating sales, identifying markets and creating and establishing new and old relationships. Using this as part of the premise, the subsequent section examines the qualitative aspects of the role of absorptive capacity given its mediating influence on the quantitative relationship between formal networks and business management.

8.4 Networking Content and Absorptive Capacity

Comparably, the contents from the formal and informal networks are dissimilar to a certain degree considering their different impacts on the SMTEs' annual sales turnover and business management. Looking at the informal networks specifically, some of the entrepreneurs have family members who give advice and moral support:

My uncle is a businessman as well, supplying stocks from China, and he had the experience of studying in the United Kingdom. So, his experience abroad is a bit different as he has more input and is open-minded… I learn his way of working, his way of handling the business, about life, his experience seeing all kinds of people… (Mr. C of Batik 3).

My parents advised me to fully concentrate on business, not to stop in the middle of the road… they always shared their experience. (Mr. D of Batik 4).

My mother always gave me support. She always asked me not to give up and try to take it slowly when I had in difficult moments. (Mr. J of Restaurant 2).

My families are there for moral support. (Mr. N of Travel Agency 3).

The nature of advice is more towards the wisdom in the walk of life as well as the shared experience of business management. Considering the content of advice and moral support from family members, it is difficult to ascertain their direct tangible impacts on the SMTE's annual sales turnover and business management. Nevertheless, the importance of this advice is undeniable for the entrepreneurs' psychological support in managing their SMTEs. Not limiting the contents of informal networks to the shared experience and moral support, there are cases where the entrepreneurs use their business friends and customers to gain insights which can be important in the improvement of business management. This can be seen in the following quotations:

Me and my friends have always exchanged ideas on the batik design… we look at the current and upcoming designs. We also look at which design is profitable for business… Currently, the digitally designed batik is not performing well, so we need to go back to the manually drawn batik… (Mr. A of Batik 1).

My senior friends gave me advice on shop's accessories when I first started the business because I did not know at the time. So, they gave me their opinions on the shop's layout, decorations and furniture. (Mr. D of Batik 4).

There are… 5 percent of our customers that gave us information on the latest changes in the current market trend… There are customers that come to us and tell us the design pattern at the another shop is more beautiful. Then, we do a bit of research and if there are market demands for it, we will sell it as well. (Mr. C of Batik 3).

Apart from the insights on business management, there is also a situation where Mr. G of Hotel 2 managed to generate a sale from his informal contact from Hotel ABC. As mentioned in a prior sub-section, Mr. G managed to create relationships with the staff of Hotel ABC from the small opening event at his hotel. From that, he admitted:

When they have big events at Hotel ABC, the bosses stay there while the drivers would come and stayed with us. Their staff always recommend our hotel to other people.

Apparently, word-of-mouth activities by the staff of Hotel ABC are helpful in enticing potential customers to Mr. G's Hotel 2. In the same vein, Mr. N of Travel Agency 3 also applied a similar marketing technique to his friends and customers. As he explained:

I always ask them to introduce my travel agency every time they have trips with their friends, companies or families… I appreciate my best friends because they always provide sales for us. So, I give them a bit of incentive. You can call them agents in a way, but really, they are just my best friends.

It is not just about generating sales from the entrepreneur's contacts as there are also situations where they pass customers to other businesses. Mr. H disclosed a few of the examples:

> *On that day, I remember that we had 2 buses coming but we could not accommodate all the guests. So, we sent them to XYZ Beach Resort instead… There was this other time where we dealt with the nearby homestays and passed them our customers since we were overbooked.* (Mr. H of Hotel 3).

Looking at the characteristics of the overall contents or resources obtained from informal networks, these range from psychological support, advices for the improvement of business management to opportunities in making sales for the SMTEs. Another interesting facet of the informal network is that it seems that the majority of handicrafts entrepreneurs are more inclined to make full use of it as compared to entrepreneurs of hotels, travel agencies and restaurants. Despite these characteristics, it is important to note that there is no significant quantitative relationship between the informal network and business performance. This might be attributed to the differences in terms of the breadth, consistency and significance of the contents received by the entrepreneurs.

It is worth stating that out of the 14 entrepreneurs interviewed, only Mr. G and Mr. N had cases where they managed to generate sales directly out of their informal contacts. This is interesting considering that there were no indications of direct sales generated from the informal networks of handicrafts entrepreneurs given their degree of engagement as compared to the other sub-sectors. The scarcity of this indication within the handicraft sub-sector is assumed to be related to the absence of binding contracts or consistent formal business meetings, which would further heighten the lack and inconsistency of sales from any entrepreneur's informal contacts. In fact, Mr. G and Mr. N even admitted the difficulties in generating sustainable sales from their informal contacts as they only relied on the word-of-mouth marketing of their friends and staff from the nearby hotel.

For these reasons, it is presumed at this point of the discussion that the contents received from the formal networks have better consistency as compared to the informal networks.

In terms of the significance of the contents in the improvement of business management, this can be decided through the comparison of content received from formal and informal networks. In comparing the contents from both networks, it is important to understand that the entrepreneurs also received business advice and generated sales from their formal networks, albeit to varying degrees. For example, Mr. F explained that there is no barrier among the General Managers from different hotels to share marketing strategies and business solutions given that there are black and white documents for every business transaction. Furthermore, the considerable number of hotels in the associations such as the Malaysian Hotel Association (MAH) and the Malaysia Budget Hotel Association (MyBha) helps to alleviate any doubts among the General Managers regarding being transparent in sharing their knowledge. As claimed by Mr. F and Mr. M, everyone basically knows each other in Terengganu from formal meetings of associations and activities of the State Government, which is an important contributing factor to the transparency in sharing among the members.

Furthermore, the consistent nature of the contents obtained from the formal membership in associations or formal relationships can be significant compared to informal networks as it entails the breadth of resources that range from financial and equipment support, business advice and solutions, creation of tourist products, generating business transactions and sales. In other words, the better consistency, breadth and significance of the contents might explain the inclination of entrepreneurs to appreciate the importance of formal networks in the improvement of business management and annual sales turnover.

The understanding of the contents of formal networks can be achieved by looking at the composition of such networks, which involve relationships that consist of different or similar types of industries or entities. Looking at the previous given examples, both MAH and MyBha reflect how the hotels formally network with each other. In the context of travel agencies, they have MATTA, which also provides a similar platform to MyBha, where they have formal meetings to discuss business issues and solutions:

> *…MATTA do a lot of b2b sessions, because they know the problems of travel agencies in Terengganu. It is like a hub where the travel agencies come and share their problems. So, it is MATTA's responsibility to seek out solutions for the problems.* (Mr. M of Travel Agency 2).

> *We have been one of their members (MyBha) for a long time now. Of course, we cannot get any sales out of the association. But, the members are not stingy in sharing their knowledge. So, it is a healthy competition as we are able to find out about the performance of other budget hotels. This is important because we can find out why they can manage to get business when we can't. At least, we know the patterns of their businesses. We also exchange ideas…* (Mr. H of Hotel 3).

MATTA also shares similar characteristics with MAH as their meetings are also joined formally by the government tourism agencies. As both Mr. F and Mr. M revealed:

> *In terms of sales, we managed to get some from MAH. We also get to know our contacts in MAH since all the General Managers are there. Every time there is a big event and they have a meeting, we can generate some sales as we are friends with other General Managers… it is quite worthwhile joining MAH because the State Tourism Agency is there as well. If there is any event, at least we are in the position to take that business opportunity.* (Mr. F of Hotel 1).

> *In MATTA's recent coordination meeting with the State Government of Terengganu, the Foundation of Terengganu and other tourism providers, my marketing manager personally raised the issues of why hotels are selling travel packages despite not having licenses. They should just sell accommodation, not inbound and outbound.* (Mr. M of Travel Agency 2).

Given that they are part of these meetings, it provides advantages in terms of generating sales and business solutions to the formal members of both associations.

This is owing to their strategic positions in having direct formal communication with the relevant government agencies as compared to the non-members. For entrepreneurs that aim for business transactions and generating sales from their membership in the associations, the formal involvement from the Federal and State Tourism Agency is important. Mr. M claimed that most of the significant or big tourism events in Malaysia and in Terengganu particularly are organised and endorsed by them. Another interesting facet to the content of 'business transactions and generating sales' that can be gained from formal relationships between similar industries is the practice of 'passing the customers' especially among the hotels and travel agencies:

> *If there are travel agencies from other states that need services in Terengganu, I will liaise and make business deals with them. So, we will handle all the needs of tourists while they are here.* (Mr. N of Travel Agency 3).

> *There are cases where the other travel agency has too many congregations that want to go and perform Umrah. That agency has too many so they cannot handle it. So, they pass some of the congregations to the other travel agencies. That is how you do it. Even myself recently, when we did not have enough time to manage it, we passed our congregations to another travel agency but still under our supervision. This is important to take care of the quality. But they handled other things like the visa and financial arrangements.* (Mr. M of Travel Agency 2).

> *Like recently, Sumai's General Manager called my General Manager and asked if we had rooms available. In another example, there was this organiser that wanted to do an event at Hotel DEF, but they did not have enough budget. So, the hotel's General Manager called here and asked if we were willing to accept it with the offered rate. We said yes, and that General Manager passed the organiser to us.* (Mr. F of Hotel 1).

This practice essentially reflects the dynamic of the relationships where trust is crucial in maintaining the ‘right balance’ between competition and collaboration among the entrepreneurs and their SMTEs (Brunetto & Farr-Wharton, 2007; Novelli et al., 2006). The maintenance of this balance is also true in the context of formal networking that involves different types of tourism sub-sectors. This can especially be observed in the relationships between the hotels and travel agencies. In particular, this networking is crucial in a tourism business environment since they need each other in the creation of tourist products. In Terengganu, many of these relationships are formed to meet the demand for travel packages to islands given that the state is famous for its Perhentian and Redang islands. This can be seen in the following examples:

> *I always get the business from travel agents that come from outside of Terengganu such as Penang, Kedah, Negeri Sembilan, Kuala Lumpur and others… We also created packages to islands with the travel and rental car agents.* (Mr. F of Hotel 1)

> *Before the time of Agoda and Booking.com, we did have relationships with the travel agencies in Kuala Lumpur. We gave them contract rates, and they allocated the tourists to come and stay at our hotel… Like from a travel agency in Kota Bharu, we did received tourists that wanted to go to Perhentian Island and they would stay here for the mainland accommodation.* (Mr. H of Hotel 3).

> *We have contract rates with accommodations on the islands since we also offer travel packages to Redang.* (Mr. M of Travel Agency 2).

Excluding the business advice and solutions, it is evident that most of the relationships between the formal networks and hotels or travel agencies are mainly oriented towards business transactions and generating sales, which consequently contributes to the annual sales turnover. This is also extended to the hotels that have formal networks with the government agency and schools, as Mr F of Hotel 1 and Mr. H of Hotel 3 explained:

> *We also have contacts with the Malaysia Ministry of Education. Every year, they always organise an annual camp for excellent students. So, there are a hundred thousand of them and usually the Ministry will open the tender to the hotels. Before the opening of the tender, the organiser (Hotel 1 contact) insisted that some of them should go to our hotel…* (Mr. F of Hotel 1).

> *Our regular customer is the City Clinic of Kuala Terengganu… we also have two government schools of A and B. They always come to us and they are already used to us…* (Mr. H of Hotel 3).

Based on the above quotations, it is interesting to note that there is a sense of loyalty towards the business relationships between the hotels and the government agency and schools. This shows that the business transactions between them can be possible through strong relationships, which can be characterised by trust and frequent communications (Granovetter, 2005, 1983; Anand & Khanna, 2002; Uzzi, 1996).

On the other hand, there are also some cases where the reasons for entrepreneurs to have a formal relationship with any government entities are simply beyond the reasons of business transactions and generating sales. Obviously, the reasons can range from applying for financial and equipment assistances, obtaining business knowledge and maintaining cultural crafts. This can be seen in the following quotations from Mr. J, Mr. E and Mrs. I:

> *Sultan Mizan Royal Foundation provides training, an allowance and machines. The State Handicraft Agency also provides the same things. We need to apply for them if we want them. This machine is expensive… The Foundation asked me to look for students, and they will pay me RM400.00 (£71) for each individual student. So, they asked me to take my time in looking for the students…* (Mr. E of Keris 1)

> *I take a lot of fish from Ali, my supplier. The son of Ali works with the State Fisheries Department. He is the one that gave me the suggestion to apply for funding that was offered by the Department at that time. So, I did the paperwork and I sent it to them. In five days, they audited my restaurant and gave me RM40,000.00 (£7,148) to further enlarge my restaurant.* (Mr. J of Restaurant 2).

> *I managed to get financial capital from Amanah Ikhtiar Malaysia (AIM)… I joined them because I wanted to raise the profile of my product… they send me to a small entrepreneurship club, where I get the experience and learn to expand my business… I would like to learn ways to be successful in my business.* (Mrs. I of Restaurant 1).

In the context of Mr. E, the situation is distinctive considering that he is one of the few entrepreneurs involved in the making of *keris* in Malaysia. Given the role of *keris* in the Malay culture, the Sultan Mizan Royal Foundation asked Mr. E to be their instructor in the making of *keris* in its effort to encourage the younger generations to preserve the craft among the people. In the contexts of Mr. J and Mrs. I, they also highlight their successes in securing capital from the respective government organisations. Apart from Mr. E, both Mr. J and Mrs. I were the only entrepreneurs interviewed that managed to obtain capital from the respective government agencies as many of them depended on their personal savings and families (see Table 7.2). Specifically, the substantial capital received from the State Fisheries Department was crucial in the development of Restaurant 2 given the initial difficulties of Mr. J with the business (see sub-section 7.5.1).

The expansion of his restaurant has helped Mr. J to cope with the increasing demands of business operations. Similarly, Mr. E of Keris 1 also managed to get help from the State Handicraft Agency to have a machine installed at his business premises which is a great help in the production of the *keris*. Apart from capital, AIM also sends Mrs. I to workshops with the view of helping her gain valuable experience and knowledge in business operations.

Not to constrain formal networks to public agencies such as AIM or State Handicraft Agency, it is interesting to note that Mr. J uses different contacts in getting all the machines required for the making of *keropok lekor*. He explained:

> *My supplier is the one that suggested and sent me all those machines like a vacuum machine, processor, slicer and others. Having the machines, it helps to improve the work efficiency in preparing keropok lekor.*

By accepting the suggestion from his supplier to embrace the technological advancement, Mr. J highlights the improvement of the work flow in the restaurant, which consequently has increased the efficiency of his business operation as well. In fact, the supplier is still working together with Mr. J in the design of a better machine for the making of *keropok lekor*. This highlights another important facet of the business owned by Mr. J as he described his role in absorbing knowledge from his supplier:

> *There is this Chinese supplier that came to my restaurant and gave me the suggestion to combine cheese with keropok lekor. I gave it a try, the customers have it, and it became a hit. Up to this day, I still try to combine keropok lekor with different ingredients like black pepper and various types of cheeses. Even the cheese supplier still comes whenever he has a new cheese product and asks me to create products based on it. Sometimes he even promotes the keropok keju (the name of the product of mixed keropok lekor and cheese) that I have in my restaurant.*

Essentially, Mr. J is willing to change the traditional way of making the *keropok lekor* and innovate the iconic traditional dish of Terengganu. This can be observed in how Mr. J 'leveraged' the suggestion from his supplier and 'transformed' it by combining other ingredients such as cheeses, onions or black pepper with the traditional *keropok lekor*. In a way, this is also similar with Mr. J's innovative idea on the packaging of *keropok lekor* itself. Traditionally for the entrepreneurs of *keropok lekor,* they use the sheets of plastic and papers to wrap the foods for take away.

Tourists from outside of Terengganu always order large quantities for take away and they usually struggle to maintain the quality of the *keropok lekor* given that most of them travel long distances in the humid and hot conditions of Malaysia. To solve this problem, Mr. J consulted with his machine's supplier and got the idea to create vacuum packaging for *keropok lekor*. With the vacuum packaging, the difference in terms of quality of the food is significant and subsequently, it become very famous among the tourists and customers alike.

The willingness to innovate and go against the common practice with the traditional product and packaging essentially put Mr. J's business as the top *keropok lekor* restaurant in Terengganu as others started to copy and implement similar things at their establishments as well. Apart from Mr. J's instances, there are other examples of absorptive capacity which can be examined in the sub-sectors of travel agency and handicraft:

> *There is this new product of ATV in Chemerong, which has been in operation for 3 years now. One day, the owner called me and asked me to advertise his product. The day after, I started my engine and went there for myself. I was impressed… because before this, there was not a single travel agency that knew about this place in Terengganu which is right in the middle of jungle and the cabin was nice and very attractive for people that are into extreme sports. I made a proposal and I passed it to Tourism Terengganu… At the end, me and 9 other travel agencies created a package and the ATV business started to grow substantially…* (Mr. M of Travel Agency 2).

> *I always look at the potential or opportunity when I meet with my network of people. I observe, I ask questions to see if there are any issues in travelling. From there, I can see it already, the potential and the idea to create a new service. So, it is like I got the idea with the help from my networking as well.* (Mr. N of Travel Agency 3).

> *I did design my own products because sometimes we get requests from customers that want a certain style. So, I take those requests on board, make my own design and discuss this with the suppliers so that they can fulfill the customers' demands.* (Mr. A of Batik 1).

Mr. N provided a general explanation on the situations of how he acquired and interpreted all the required knowledge on the issues of travelling from both providers and tourists' perspectives. From this, he highlighted the dynamic capability of his absorptive capacity as he realized the knowledge through the transformation of it in the creation of new services.

Again, a similar dynamic can be seen in the examples given by Mr. A and Mr. M. Notably, it is interesting to observe how they used their networks (tourism provider, State Tourism Agency, supplier, customer) to get information through different situations and combine this with their existing skills and knowledge to arrive at the creation of new products of travel packages and batik design in Terengganu. Reviewing the cases of Mr. J, Mr. M, Mr. N and Mr. A, it seems that absorptive capacity can be considered as the part of the networking process.

Based on the previous discussions, the contents can be characterised by the reasons why entrepreneurs involve themselves with the networks. When the reasons are linked with getting information or knowledge particularly, the entrepreneur's absorption capacity surfaces as part of the natural consequences of networking activities. In other words, the subsequent process relies on the capacity of an entrepreneur to acquire, assimilate, transform and exploit the information from his or her respective network. Certainly, this highlights the qualitative characteristic of absorptive capacity as a mediating variable between the formal networks and business management. As stated by Sekaran and Bougie (2010: 77), '*bringing a mediating variable into play helps you to model a process*'. Considering the context, the next section looks to understand the impacts of this process on the business performance.

8.5 Networks' Impact on Business Performance

In terms of the networks' impact on the annual sales turnover, the discussions in the previous section have reflected that entrepreneurs managed to generate sales from their networks in numerous situations. Apparently, this is also the case with the business management as the entrepreneurs use their networks to get assistance, business advice and solutions to further improve many aspects of their business management. Despite this, there are entrepreneurs who do not need to engage in any networking activities to improve their business performance. One of the obvious examples can be seen in the context of the intergenerational business of Restaurant 3, which is owned by Mr. K. The reasons are simply attributed to the sufficient sales generated from word-of-mouth marketing in sustaining the operation of Restaurant 3, as Mr. K explained:

> *All the VIPs, artists like Jamal Abdillah... Countless. Even the Minister of Education and other ministers come to eat nasi dagang in this restaurant… From Brunei even. People from the United States and Dubai also buy our spices. There are also travel agents that come and bring lots of tourists. It is not like we have any formal business deals with them. All of them come because of word-of-mouth. This is the restaurant that you need to go to for nasi dagang in Terengganu.*

Other than word-of-mouth marketing, the success of Restaurant 3 is also due to the intergenerational factors that can be associated with great traditions and knowledge of *nasi dagang* as well as the brand name of the business itself. The combination of these factors, which have been in effect for decades, afford Mr. K the opportunity not to depend on networks as the business has grown to become the traditional pioneer of the *nasi dagang* restaurant. Evidently, Mr. K's sentiment that the 'role of networking is not as important as others perceive it to be' is also shared by Mr. C, as he argued that the improvement of business management and annuals sales turnover are more dependent on the attributes of entrepreneurs themselves:

The development of business only depends on ourselves. Our networks are only useful for giving advices. (Mr. C of Batik 3).

Given the positive performance of Mr. K's restaurant and Mr. C's belief in the role of the entrepreneur in business development, it certainly highlights another dimension to the negative inclinations of some of the handicraft and restaurant owners in the study towards networking activities (see section 8.2). Despite these inclinations, it is interesting to note the statement from Mr. H of Hotel 3 in recognizing the positive impacts the networks may bring to his business considering his admission of minimal engagement in networking activities:

I agree with the statement where networking can help improve our business performance. But, we never make full use of it till to this day.

In addition to Mr. H's recognition, the positive impacts of networking are further heightened by the entrepreneurs that involve themselves with their respective networks. This can be observed in their following answers when they were asked if they agree or not with the notion that the networks can have positive impacts on business performance:

I totally agree. Because they gave me a lot of suggestions, good business issues to think about. We cannot just sit alone and ignore other people... They are not stingy in sharing their knowledge. So, when I followed them, I got the same positive results. (Mr. A of Batik 1).

Agree. For example, we have networking with the salesman from Kuala Lumpur. So, every time he came to deliver his stocks, we gave him a cheap rate so that he can attract another 2 or 3 of his colleagues to come and stay here as well. (Mr. H of Hotel 3).

Yes. There is no need to be arrogant in networking with others. (Mr. F of Hotel 1).

Agree because it is important especially in the promotion and development of business. (Mr. N of Travel Agency 3).

Yes, I agree. It helps me a lot, especially in improving the efficiency of my operations. (Mr. J of Restaurant 2).

The above quotations essentially provide the qualitative context of the inclination of entrepreneurs to consider the impacts of networks as something important and positive for business management and the annual sales turnover. This especially can be seen in the majority of the hotels and travel agencies as well as some of the restaurant and handicraft businesses. However, it is also needs to be highlighted that apart from the positive impacts, there are also issues linked to certain aspects of networking. Bearing this in mind, the next section will explore and discuss further the issues of networking.

8.6 Issues of Networking

One of the most frequently cited issues among the entrepreneurs is the unhealthy state of the country's economy. Due to this economic situation, the government started to cut the budgets of its respective agencies. This particularly impacts the hotels as they claimed:

This hotel used to perform well. But now, the hotel got hit financially by the bad economy as the government cut the budget, and there are no longer seminars conducted at the hotel since they need to do it at their own place to save money... so there is less support from the government. (Mr. H of Hotel 3).

When they introduced the circular where they cannot organise the seminars outside… Even the batik industry got hit. You know that every Thursday the government employees need to wear batik. They used to pay thousands of Ringgit for batik, but now, there are almost no sales. There even used to be a batik shop here in the hotel, but now it has already closed. (Mr. F of Hotel 1).

The above quotations highlight the dependency of hotels as well as the batik industry generally on making sales from the government. In addition, cronyism resulting from this economic situation was referred to by some of the entrepreneurs in the following examples:

> *Now, whenever the government has an event, like a festival at the beach or like Bike Week recently, they have not let us share the market. So, when I drive by Hotel XYZ (hotel owned by state government), I can see that it is full. Looking back at the previous years, it was different because whenever the government had events, they at least shared the market with us.* (Mr. H of Hotel 3).

> *Just like recently in January, when there was a cooperation between the government and an agency that involved 3,000 tourists from China, Korea and Taiwan. Of course, these 3,000 tourists' visit involved costly flight tickets, accommodation, transport, ticket fees, food and other things. But, all this business was given to a single travel agency. This is unfair.* (Mr. M of Travel Agency 2).

For this reason, the entrepreneurs are not happy as they always support the government in promotional tourism events outside of Terengganu even though they need to bear a few losses in participating. This is apparent in the following quotations from Mr. F and Mr. M:

> *The government's event is not worth it. We just go there to show our faces. But, we need to join because if not, we will be left out and our name will be 'blacklisted'… It is not worth it when you think of the difference between the cost and sales. Like last year, the government organised an event of 'Beautiful Terengganu' in Johor. I brought staff, the Minister of Terengganu came, tourism staff came, even I, myself came. After Johor, they moved the event to Singapore. Singapore is also the same. It is not worth it for my staff to sit at the booth from 10 am in the morning till 10 pm at the night.* (Mr. F of Hotel 1).

Every single program they (state government) organised, they called and asked for our support. We went, even though it was not worth it. But when they get a big opportunity like this, they do not distribute any market share of it... (Mr. M of Travel Agency 2).

Evidently, despite the losses, Mr. M explained they still supported the government's events for the collectivistic good of the tourism sector in Terengganu as he believes everyone would eventually reap the benefits from this supportive environment. It is equally important to note that this is not just limited to events organised by the government only as Mr. F remarked it is also the case with other events:

Like MATTA's event, we participated twice annually. We had the March event, and the September event. It was tiring working from the morning until night. In my opinion, it is not worth it because sales are not that great.

It seems that events are not a preferable medium to promote and generate sales for Mr. F particularly. Interestingly, it is the other way around for batik entrepreneurs as Mrs. B of Batik 2 said that she could generate a satisfying amount of sales from joining the UMNO's General Assembly. Given that batik is a part of the Malay and UMNO's identity, it is a good business opportunity for Mrs. B as it is claimed by Mr. F's general manager that her batik is famous among the members of the political party. This is in line with Mr. A's explanation as he only considers joining an event if it has a good reputation among his network of friends as a good place to make sales considering the amount of work and cost involved to participate.

Apart of these issues regarding problems with the economy and government events, some of the entrepreneurs also complained about the lack of substantial contents from their networking activities:

> *Despite the cooperation with travel agencies, I do not think they are helping much in providing the tourists and sales. I think online is more helpful… We did bring the issues of lack of support from the government to our association so that they can deliver it to the relevant authority. But there is nothing much that they can do.* (Mr. H of Hotel 3).

> *We went to the meeting organised by the State Tourism Agency years ago. This is the only time we participated because there is no purpose for us to participate in that meeting. They discussed about the candidates for the President and other positions in the committee.* (Mr. G of Hotel 2)

The above quotations underline the needs to carefully choose the right individual or organisation for an entrepreneur to have a network with. If the entrepreneur gets it wrong, the consequences can be very negative, as Mr. M disclosed when he referred to a situation where greed ruined the network relationship between the travel agencies in Terengganu:

> *…We made a deal with other travel agencies on a fixed price for the transportation of offshore crews in Duyong. Every day, there are about 100 crews that need to be transported. So, we agreed to share the market with the agreed price. But soon, a few of the travel agencies went back on the deal and they lowered the price…*

After the market price was lowered, an increasing number of travel agencies started to cease their operations in Duyong. The main contributing factor in the withdrawal of several travel agencies from the deal was due to the unsustainable profit margin against the cost when the price was lowered. In the end, Mr. M claimed that the project was abandoned and this led to the negative business environment among the travel agencies involved. For this reason, trust is a crucial dynamic in creating any positive and important collective business relationships considering the risks or losses that could hit the entrepreneurs and SMTEs.

8.7 Summary

The prior section highlights the issues of an unhealthy economic condition, which affects the sub-sectors of hotels and handicrafts considering the SMTEs' dependency on the government in sustaining their businesses. In addition to this, the issue of cronyism further heightened the entrepreneurs' dissatisfaction with the government's handling of certain tourism events and festivals. Apart from this, some entrepreneurs also highlighted the issue of the lack of substantial contents received from their network relationships. These consequences of unsuccessful networking relationships contribute to another dimension of entrepreneurs' unwillingness to commit to such activities. Despite the cultural dynamic of Malaysians, which should encourage them to network, it is interesting to note that some of the entrepreneurs from handicrafts and restaurants particularly can sustain their business operation without any utilisation of such networks. The reasons for their unwillingness to network ranges from the poor mentality, lack of interest, laziness and the burden of networking.

As for the entrepreneurs that use networking for their businesses, the majority of them cited trust as the most important factor in forming network relationships. In a way, this is to be expected considering that most of the entrepreneurs in the study have been living in Terengganu for 3 to 4 decades and their businesses have been in operation for 10 to 24 years. Consequently, they are familiar with Terengganu's business scene, where they know and trust each other. All the discussed formation and inhibiting factors are presented in Table 8.1.

Table 8.1 – Formation and Inhibition Factors of Networking

Formation Factors	Inhibition Factors
• Trust • Formal documentation • Profitable situation where one could gain from association	• Poor mentality • Lack of interest • Laziness • Burden of networking

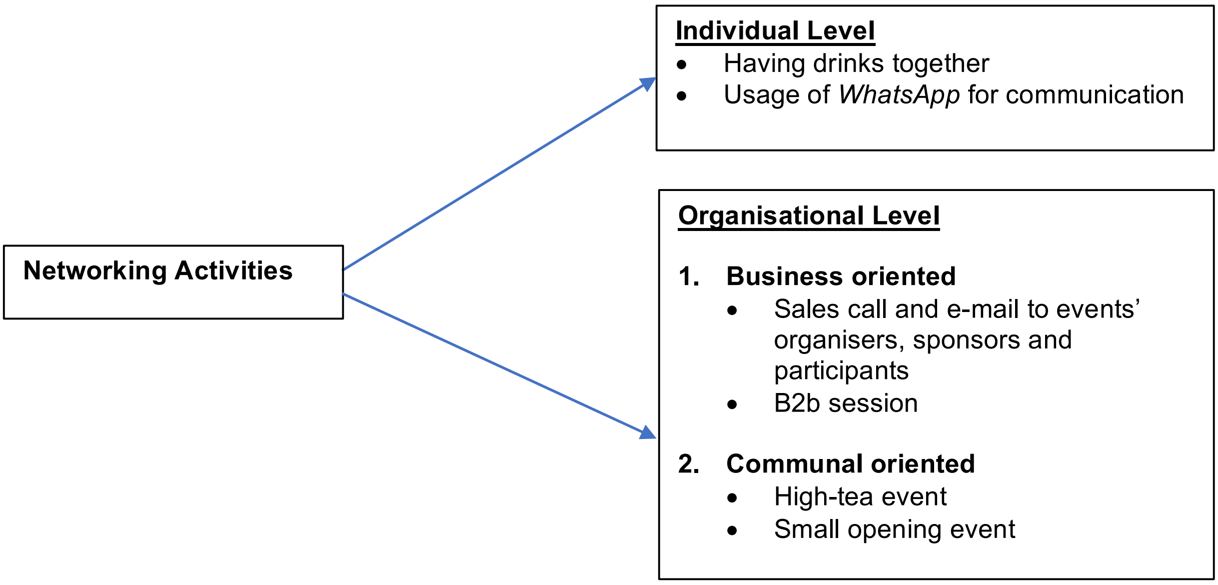
Source: Author

An important point that can be derived from Table 8.1 is that most of the hotels and travel agencies are more inclined to use their networks considering the nature of their sub-sectors, which require interactions with other tourism stakeholders in providing services or products with the purpose of making business and generating sales. For this reason, trust and formal documentation are two crucial components in the creation and maintenance of their network relationships. In the context of restaurants, it is notable that they are more likely to engage in networking activities if the situations are profitable for their businesses.

As for the sub-sector of handicrafts, most of the entrepreneurs are more inclined to informally network where they can get psychological support and business advice. To a degree, this explains the absence of any mention of significant handicraft association in Terengganu that could further raise the business profiles of the SMTEs interviewed in this study. Without any use of the formal networks, it explains the lack of inclination of these entrepreneurs.

When the entrepreneurs are willing to network, they normally invest their activities on two different levels, individual and organisational. At the individual level, entrepreneurs are informal with their activities, which can consist of drinking together with friends and the usage of *WhatsApp* for communications. As for the organisational level, it can be communal or business oriented considering that most of the hotels and travel agencies prefer to use events or programs as the main medium for networking activities. For a better understanding of the networking activities, Figure 8.1 presents the summarisation of its composition.

Figure 8.1 – Composition of Networking Activities



Source: Author

With the formation of network and activities invested, it is important to understand that the contents are fairly similar in characteristics despite the two different types of formal and informal networks. The differences are basically in terms of the breadth, consistency and significance of the contents as can be clearly observed in Table 8.2. The wider breadth of the contents that can be gained from formal networks is tangible based on the analysis of the 14 interviews of entrepreneurs across the four different sub-sectors. Based on Table 8.2, there are 7 different types of contents that can be gained from the formal networks as opposed to the 3 different types of contents from the informal networks. In terms of the consistency, it is apparent that from the discussions provided in section 8.4, the contents of the formal networks are more consistent since they have a proper structure of activities with frequent meetings as compared to the lack of a recurring number of entrepreneurs' casual meetings with informal contacts. As for the significance of the contents of the formal networks, there are three perspectives that can be highlighted:

Table 8.2 – Comparison of Contents from Formal and Informal Networks

Informal Network	Formal Network
• Psychological support • Business advices • Sales	• Financial support • Equipment support • Business solutions and advice • Product creation • Business transactions and sales • Obtain business knowledge • Preservation of the craft

Source: Author

The first perspective is the breadth of tangible contents such as financial or equipment support or the creation of products which could have direct impacts on the improvement of business management and annual sales turnover. The second perspective is on the consistency of formal involvement of government agencies in many meetings of hotels and travel agencies associations (MAH and MATTA), which could provide advantageous business positions for entrepreneurs and SMTEs. With regards to the third perspective, the transparency in knowledge sharing within the formal and professional environments, such as in the workshops and meetings, could be advantageous in terms of business solutions, experience sharing as well as both business and product development.

Considering the breadth of tangible contents, consistency of the formal meetings with involvement of the government agencies, as well as transparency in knowledge sharing would heighten the significance of the contents received from the formal networks as they provide a qualitative dimension to the significant quantitative relationship between the use of formal networks and business management as well as annual sales turnover. Equally important, the inter-sectoral comparisons of hotels, travel agencies, restaurants and handicrafts businesses are useful to explore the richness of understanding that can be drawn from networks and business performance. Overall, there is a sense of similarity between the hotels and travel agencies interviewed from the perspectives they have on formal networks.

As for the handicraft businesses, they can be considered as distinctive given the intergenerational dimension and their utilisation of informal networks. Interestingly, the same thing can be said for the restaurant sub-sector as this can possess two different types of operation, contemporary or traditional. Restaurants that are contemporarily operated are fairly similar to hotels and travel agencies in their utilisation of formal networks. This contrasts with traditionally operated restaurants, which might also be an intergenerational business that does not have any inclination to use both types of networks to learn. Given the qualitative differences of inter-sectoral comparisons, it is important to converge this with the quantitative results in order to conclude and finalise the current research. This will be addressed in the next and final chapter of this thesis.

CHAPTER 9
CONCLUSIONS AND AREAS FOR FURTHER RESEARCH

9.1 Introduction

Networking is considered important for the entrepreneurs and their businesses considering the dynamic nature of the tourism sector, which demands the interaction between the relevant stakeholders in producing competitive tourist products and services. This is especially fundamental in the development of any tourism destination in the world (Zee & Vanneste, 2015). Based on this premise, the current study chose Terengganu as the contextual setting in analysing the relationships between the formal and informal networks, absorptive capacity and business performance amongst the four small and medium sized enterprises of different tourism sub-sectors of: (1) hotels and resorts, (2) travel agencies, (3) restaurants and (4) handicrafts.

As discussed in the prior chapters of the thesis, Terengganu has immense potential in seeing the prospective growth of the tourism sector given its positive potential as well as the unique characteristics of the region itself. This notion basically further heightens the importance of SMTEs as they are the key components in conditioning the destination's development which would consequently contribute to the success and livelihood of the tourism sector. Considering the linkages between the nature of the contextual setting and the mentioned theoretical aspects, five research objectives were outlined and empirically studied through systematic reviews of the literature review and analyses of sequential mixed-methods of quantitative and qualitative data collected through a self-administered questionnaire and semi-structured interviews.

The aim of this chapter is to conclude the results of this study by essentially summarising the key empirical findings and integrating them to arrive at a final conceptual model that reflects all the relationships and variables analysed in this thesis.

To achieve this, a discussion of the key empirical findings from the respective research objectives is presented. In addition to this, the limitations and future research recommendations will also be addressed before the chapter ends with the key contributions of the current study.

Before the discussion moves to the next section of the key research findings, it is firstly important to note that this chapter consists of a diagram and research model that involves an extensive number of variables, relationships and analyses. For a better understanding, Table 9.1 presents the directions for the boxes, arrows and links illustrated in Figures 9.1, 9.2 and 9.3.

Table 9.1 – Legends and Directions for the Diagram and Research Model of Figures 9.1, 9.2 and 9.3

Legend	Direction
	Variable (s) that involved in the relationship between the characteristics of entrepreneurs and SMTEs and the importance of formal networks in SMTEs' learning.
	Signifies the nature of the relationship between the characteristics of entrepreneurs and SMTEs and the importance of formal networks in SMTEs' learning.
	Variable (s) that involved in the relationship between the characteristics of entrepreneurs and SMTEs and the importance of informal networks in SMTEs' learning.
	Signifies the nature of the relationship between the characteristics of entrepreneurs and SMTEs and the importance of informal networks in SMTEs' learning.
	Variable(s) that involved in the Mann-Whitney U and Kruskal Wallis analyses.
	Signifies the statistically significant relationship from the analyses of Mann-Whitney U and Kruskal Wallis.
	Themes from the qualitative thematic analysis.

- - →	Signifies a qualitative relationship between the culture, religious beliefs and networking activities
▭	Variable(s) involved in hierarchical regression analysis
⬚	Variable(s) that involved in the chi-square test for independence
→	Signifies the statistically significant relationship from the analysis of the hierarchical regression analysis.
- - →	Signifies the statistically significant relationship from the analysis of the chi-square test for independence
▬	The border that frames the environment of the hierarchical regression analysis where the influence of years of previous work experience, years of working in the tourism sector, years of business operation and business categories are controlled.

Source: Author

With the information presented in Table 9.1 for reference, the chapter starts with a discussion of the key research findings.

9.2 Key Research Findings

<u>Objective 1: To understand the characteristics of the entrepreneurs and their SMTEs</u>

There are two components for discussion in terms of the characteristics of entrepreneurs and SMTEs, which consist of (1) the quantitative results for 17 different dimensions of characteristics and (2) the qualitative results of motivation, nature of employment and culture of entrepreneurs. Before the data were collected, a systematic review on the past literature was conducted on the characteristics of entrepreneurs and SMTEs from 1980 to 2018 (see Table 2.5 in Chapter 2). The results clearly show that there is an extensive number of papers that examine the age, gender, education, previous working experience, employment, years in business and motivation.

However, it is clear through the results of the systematic review that the dimension of culture is scarcely analysed. Given the importance of culture in the context of intra-national diversity of Malaysia, the integration of this dimension into the current work has provided the added value or importance of this research objective in contributing to the body of knowledge on the characteristics of entrepreneurs and SMTEs.

For the analysis of the 17 quantitative dimensions of characteristics, there are two key interesting aspects that can be highlighted. The key aspects are ***the balanced distribution of gender and the distinctiveness of characteristics from the inter-sectoral perspectives***. Looking at gender, the results of the systematic review documented that the majority of the SMTEs are predominantly owned by men (Ahmad, 2015; Avcikurt, 2003; Williams et al*,* 1989; Jaafar et al., 2011, Chen & Elston, 2013). Despite the pattern, the result of the current study indicated otherwise as ***the distribution of gender is fairly balanced*** in terms of the business ownership. This might be attributed to the different dimensions or cultural characteristics associated with each different tourism sub-sector in Terengganu (hotels and resorts, travel agencies, restaurants, handicrafts).

In the current study, the sub-sectors of restaurants and handicrafts are mostly owned by females. This reflected the influences of the traditional gender roles that can be seen in both contexts of restaurants and handicrafts since the tasks of cooking and the making of batik are much more common among the women in Terengganu. This explains the nature of the results of the current research as well as other handicrafts studies in India and in Kelantan in Malaysia respectively as the businesses are predominantly owned by females (Mitra & Paul, 2017; Raihani et al*.,* 2016).

With regards to the hotels and travel agencies, it was revealed in the current study that the majority of the owners are males and this is also the case with other prior research where the males dominated the frequency of ownership at more than 60% (Ahmad, 2015; Jaafar et al., 2011; Avcikurt, 2003; Williams et al*.,* 1989).

Surprisingly, the result of this study is different for the travel agencies reported by Diaz-Chao et al. (2016) in Spain, where the females constituted the largest percentage of travel agency ownership at 56.7%. In fact, their findings are also consistent with the reported outcomes in Taiwan and Brazil as the business ownership of hotels and travel agencies are dominated by the females (see the works of Tsai et al., 2014 and Costa et al*.,* 2015). Despite these contrasting patterns, it needs to be noted in Malaysia that the males are considered as the leader and decision maker of the family (Jaafar et al., 2011). Given that hotels and travel agencies involved a higher level of business and financial management, this explains the higher percentage of males' ownerships.

As for the second key aspects of distinctiveness of characteristics from an inter-sectoral perspective, there are 8 dimensions that can be highlighted. The dimensions consist of: (1) level of education, (2) years of previous working experience and (3) years working in the tourism sector, (4) participation in formal general training and in (5) tourism business training, (6) years of business operations, (7) the business plan and (8) annual sales turnover*.* These characteristics are clearly distinctive given the varying levels that can be observed from the different tourism sub-sectors.

For example, most of the business owners in hotels and resorts and travel agencies in the current study received education at university, whether it was at the undergraduate or postgraduate level. This is different in the context of handicrafts and restaurants as the majority of the entrepreneurs in this study were high school leavers. Examining closely the nature of the accommodation and travel sub-sectors, it requires technical knowledge to manage the bookings, ticketing, finances and marketing to name a few in sustaining the daily business operation and be competitive in the market. For this reason, education is one of the most important traits in running the business operation of hotels and resorts and travel agencies. In comparison, for the other two sub-sectors of restaurants and handicrafts, one of the crucial components is the need for practical culinary or crafting skills that can be improved with the accumulation of years of relevant work experience. These notions are in line with the outcomes reported in the studies of Chen and Elston (2013), Umeze and Ohen (2014), Prajapati and

Biswas (2011) as well as Gautam (2016), where the majority of the restaurants and handicraft owners indicated that they had worked in other establishments to gain experience prior to opening their own business. In fact, some of these results are telling in the sense that 91.7% of restaurant owners in the study of Chen and Elston (2013) only finished primary, junior, high and vocational schools and some of them were illiterate. In the same vein, there were about 62% of the restaurant owners interviewed by Umeze and Ohen (2014) who had only finished primary and secondary school. Although the lack of education further heightened the importance of previous working experience, it is notable that most of the handicraft and restaurant entrepreneurs in this research do not have considerable years of experience as compared to the owners of hotels and resorts and travel agencies.

At the same time, it is also important to observe that the majority of the handicraft entrepreneurs had spent considerable years of working experience in their respective sub-sector. This was followed by a considerable percentage of restaurant owners that spent years working in other restaurants. However, this is not the case for other entrepreneurs from the hotels and resorts and travel agencies as most of them only spent up to 5 years working in their respective sub-sectors. This reflects the low barriers of entry into the tourism sector (Jaafar *et* al., 2011; Morrison & Teixeira, 2004; Szivas, 2001) as most of the entrepreneurs found it sufficient to equip themselves with 1 to 5 years of working in their respective sub-sectors.

With regards to the formal business and tourism training, it is evident that most of the restaurant owners do not engage with this. Instead, both types of training are more common among the owners of hotels and resorts and interestingly, handicrafts. In addition, a considerable number of the entrepreneurs of travel agencies also indicated that they did participate in the formal general business training. The overall results are consistent with prior research (Avcikurt, 2003; Diaz-Chao et al., 2016; Jaafar et al*.,* 2011, for example) as the majority of entrepreneurs from various tourism sub-sectors are not appreciative of the importance of formal training.

The trend of distinctive patterns from the view of inter-sectoral variations continues with the years of business operation as most of the owners of the hotels and resorts, travel agencies and some of the restaurant businesses are relative newcomers as compared to those owning the handicrafts. This is to be expected considering that there are several intergenerational handicrafts businesses that have been in operation for more than 25 years. In addition to this, there is a sizable number of restaurants that have also been operating for 25 years. To a certain degree, the results of training and the years of business operation can be linked with the dimension of having a business plan.

Accordingly, the majority of the hotels and travel agencies were found to have a business plan as many of the owners had participated in some form of formal training and they have fewer years of business operation experience. This connection is made since the findings from qualitative interviews suggested that SMTE owners need to prepare a business plan in order to apply for business capital from various public agencies. It needs to be noted that the same public agencies also provide training for these businesses as well. The shorter period of operation indicates a higher probability of the businesses adopting contemporary management, which, can lead to the possibility of them possessing a competitive business plan as compared to the intergenerational businesses that are more traditional in their operational approaches.

Despite the majority of the owners of hotels and resorts and travel agencies have more formal training and business plans, it is interesting to observe that together with the owners of restaurants, ***their most important motivation in starting up of businesses centred at the end purpose of gaining profits. As for their employment approach, they are flexible in hiring both outsiders and families as the aim is to have sufficient workforce for the daily business operations. Contrastingly with these motivations and employment approach, intergenerational handicrafts and restaurant businesses are more motivated towards preserving their craft and keeping the business within the family. They are more restrictive towards family members and close friends only in terms of employment as they want to maintain this dynamic of business operations***.

Notably, the employment approach can also be impacted by the entrepreneurs' personal inclinations as well as the external factors of market behaviour albeit with certain differences between the intergenerational and other businesses across the four different sub-sectors. It is important to highlight the above finding given the lack of research that examines the employment approach from the inter-sectoral perspective despite the participation of a wider spectrum of tourism businesses in their research. For example, Getz and Petersen (2005) note that less than half of the family business owners of accommodation, restaurants, attractions, retails, tour services and other tourism sub-sectors in Sweden and Denmark had non-family, full-time and paid employees. Despite this, there is no further explanation given by Getz and Petersen (2005) on the reasons behind the reported distribution. Studies produced by Szivas (2001) and Getz and Carlsen (2000) only focussed on the employment size of various tourism sub-sectors in the United Kingdom and Australia respectively.

Based on the reported distinctive characteristics for each tourism sub-sector in this thesis, ***it needs to be emphasised that there are also similarities across the four different types of SMTEs in the shape of cultural dimensions and their religious beliefs***. This is expected since the respondents have spent substantial years in Terengganu and are well versed with the local culture. The shared cultural values between the entrepreneurs were found to be that: (1) they are relationship-oriented, (2) they value 'face' – as in preserving an individual's dignity, (3) they are hierarchical – as in respecting someone that is the traditional leader of the family or holding a senior position, and (4) collectivistic – doing things together in a group.

Since the nature of religious beliefs and cultural values are significant in the daily lives of the entrepreneurs, it reflects the importance of these dimensions in their inclination to network within the formal and informal networks (see section 7.5 in Chapter 7). In comparing this finding to the wider literature, it is interesting to note that Islamic belief and the community's shared cultural activities have shaped the work ethic of entrepreneurs of SMEs from various manufacturing and financial sectors in Turkey (Uygur et al., 2017).

This work ethic is acquired through networks such as business associations and religious circles, which enable these traditional tradespeople with SMEs into become internationally focussed entrepreneurs. In another study that investigated the Chinese culturally-based SME management in seven Southeast Asian countries (Indonesia, Philippines, Malaysia, Singapore, Hong Kong, Taiwan and Thailand), it was revealed that networking is a part of the Chinese culture, where having influential contacts is a characteristic of prestige and 'face' in Asian societies (Bjerke, 2000). Considering the significant role of religious belief and shared cultural values reported in the current thesis and past research, ***these should further encourage the entrepreneurs to be appreciative of the role of networks and commit to their activities***.

Objective 2: To examine the characteristics of networks used by entrepreneurs and SMTEs

According to the results of the mean and standard deviation scores presented in Chapter 6, there are clear differences in terms of the size, strength, trust and frequency of communication between the formal and informal networks. ***Essentially, the entrepreneurs across the four tourism sub-sectors have larger numbers of informal contacts of families and social friends as compared to their formal contacts.*** This finding is consistent with Ahmad's (2005a) study, which found that for small hospitality establishments situated in Malaysia's coastal and island destinations, a network is more likely to be informal and have social links to family, friends and acquaintances.

In connecting this past finding with the characteristics of entrepreneurs and SMTEs from the first research objective, it is also explanatory in the sense that there are intergenerational and employment factors linked to the restaurants and handicrafts. For this reason, ***families are integral components of their operations and provide an additional perspective in understanding the characteristics of informal networks used by SMTEs***. In terms of the ***size of their formal networks, the owners of travel agencies indicated that they have quite a high number of contacts including suppliers, the State Tourism Agency and banks***.

This is also the case with the owners of restaurants and handicrafts in terms of the size of their contacts of suppliers. As a result, it is notable that ***the owners of travel agencies, restaurants and handicrafts have stronger relationships, trust and more frequent communications with their suppliers*** particularly. Furthermore, ***the same can also be concluded regarding the relationships between the owners of travel agencies and the State Tourism Agency***. This relationship is particularly important for travel agencies in Malaysia given the role of the Agency as one of the key regulatory or public authorities that control resource allocation and external marketing support (Abdul-Hamid, 2011). Hence, this relationship is vital for small and medium-sized travel agencies to obtain business opportunities and increase the possibilities to promote new travel products (Mohd-Kamal, Zawawi & Abdullah, 2016).

Considering the varying size of the networks, it has been identified that the majority of entrepreneurs participating in this study are from handicrafts and restaurant businesses. This may also explain the pattern of the overall results in the ***four sub-sectors to have stronger relationships, trust and frequent communications for their informal networks as compared to formal networks. The appreciation of the informal networks among entrepreneurs continues with their stronger inclinations towards the importance of these in their enterprise learning for business operations especially in the context of hotels and resorts, restaurants and handicrafts.*** Importantly, it is also notable that ***this is not the case for travel agencies particularly as they perceive the importance of formal networks as being slightly higher than for the informal networks in their SMTEs' learning***.

The perceived importance of informal networks among the hotels and resorts, handicrafts and restaurants can be linked to the social embedded theory. Due to their small operational size and economies of scale, informal networks are important for these entrepreneurs to have access to crucial resources such as reputation, customer contacts and other business intelligence without the constraints of formal processes or documents (Zehrer & Raich, 2010, Lewis, 2002; Grant & Baden-Fuller, 2004; Witt, 2004).

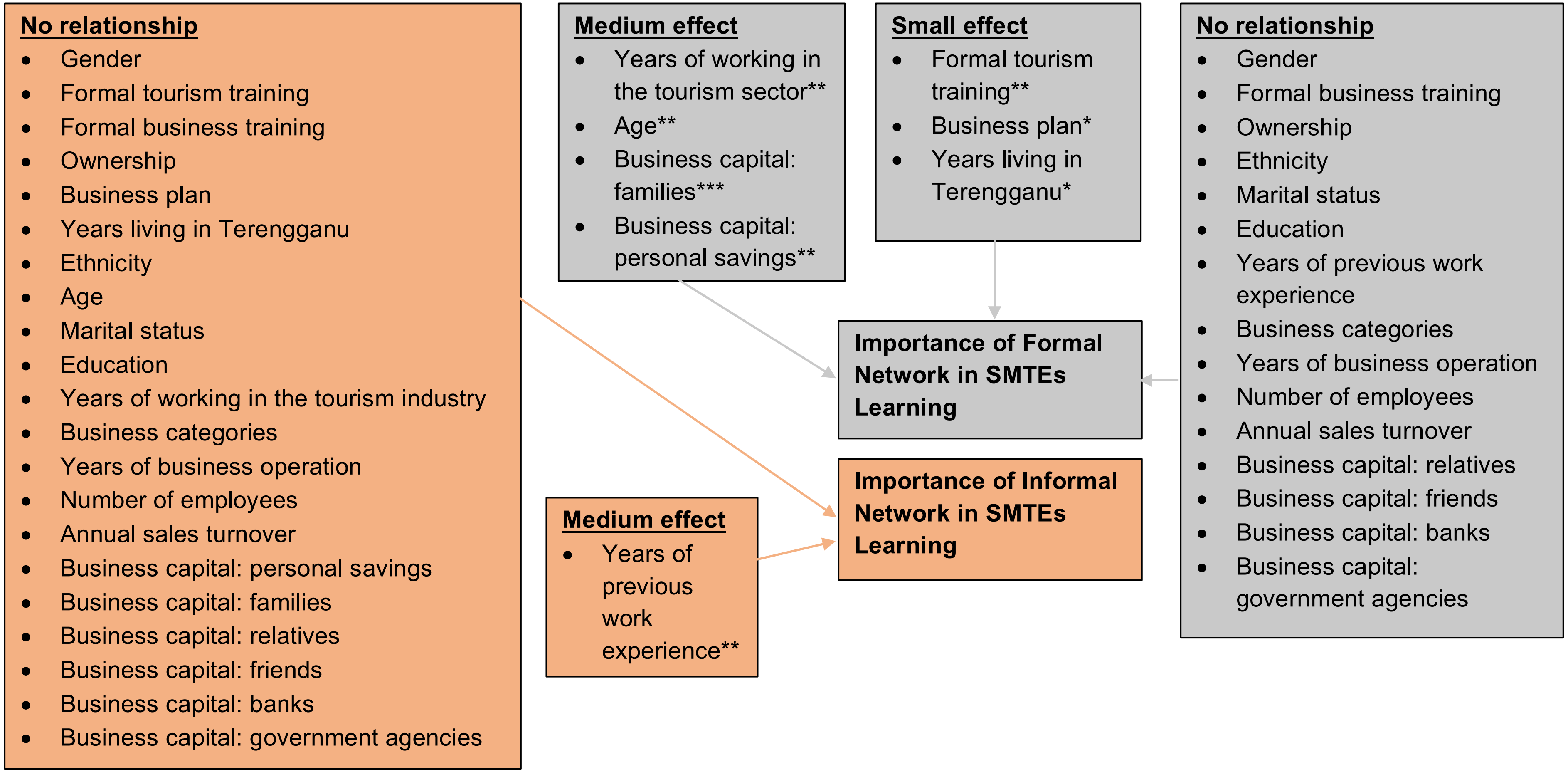
Despite this, the understanding of the perceived importance of the formal networks such as the suppliers and State Tourism Agency are crucial given the dependence of travel agencies on them in terms of the provisions of basic products and services (Abdul-Hamid, 2011). Equally important, it was found that for informal networks, entrepreneurs did not consider any social clubs as crucial for their SMTEs considering the characteristics of the empirical results of size, strength, trust and frequency of communication.

Furthermore, it is interesting to identify banks and trade and commerce associations as the two of the least important contacts of formal networks across the four sub-sectors of SMTEs. Nevertheless, the role of trade and commerce associations appears to be important for certain entrepreneurs interviewed in the qualitative phase of the data collection. For example, MATTA and MAH provide various important benefits such as advice, business solutions and more opportunities in generating sales. Indeed, the nature of these benefits would be crucial in improving the SMTEs' business management and annual sales turnover.

Objective 3: To examine the relationships between characteristics of entrepreneurs and SMTEs and the importance of formal and informal networks in SMTEs learning

This objective was looking to identify the key characteristics of entrepreneurs and SMTEs that can be linked with the perceived importance of formal and informal networks in their learning. To achieve this, the two non-parametric tests of Mann-Whitney-U and Kruskal-Wallis were employed. ***Out of the 17 tested characteristics, 7 were revealed to have statistically significant differences and relationships with the importance of formal networks in SMTEs' learning, albeit with varying levels of effects***. Figure 9.1 presents the diagram that illustrates these key relationships.

Figure 9.1 – Diagram of Characteristics of Entrepreneurs and SMTEs and the Importance of Formal and Informal Networks in SMTEs' Learning



Source: Author. Note: Confidence Interval, *p<0.05, **p<0.01, ***p<0.001.

Reviewing the context where these SMTEs are situated, it is important to note there were about 800 SME development programmes implemented through various public agencies over the period 2011 to 2015 (Chin & Lim, 2018). The focus of these programmes was quite comprehensive and entailed five different areas, namely, human capital development, market access, access to financing, innovation and infrastructure. Despite the substantial opportunities, it is revealed that most of the business operators in Terengganu are perceived as being stagnant in developing their SMTEs, especially in terms of promotion and development of the tourism product (Abdul-Halim et al*.,* 2012).

Therefore, the key relationships depicted in Figure 9.1 are important in identifying the characteristics of the groups that perceive the importance of formal or informal networks positively due to the different impacts that they might bring to the business management and annual sales turnover. In characterising the group of entrepreneurs that might capitalize on the opportunities provided, ***it appears that there are extensive variations of characteristics of entrepreneurs and SMTEs that were significantly related to the perceived importance of formal networks in SMTEs' learning***. This is interesting considering the pattern of the results in achieving the prior research objective, where the size, strength, trust and frequency of communication seems to indicate the preference of entrepreneurs toward the informal networks.

Specifically, it is revealed that the group of younger entrepreneurs (below 40 years) with the corresponding years of living in Terengganu (up to 40 years) is more appreciative of the importance of formal networks. This in a way, appears to contradict the findings by Yusoff (2011) on the wider spectrum of micro SMEs in Kelantan, Malaysia. Interestingly, the study concluded that younger entrepreneurs are less likely to seek a source of information relating to advisory and support programmes by the public agencies. However, it is important to note that with the group of entrepreneurs with relatively more years of working in tourism sector (3 to 8 years), it is indicated that with sufficient experience, they have more appreciation of formal networks despite their relatively young age. Furthermore, the entrepreneurs' positive involvement with the formal tourism training also reflects their acknowledgement of the importance of formal networks in business learning. This is in line with the commitment exhibited by the travel agencies in Malaysia, for instance, whereby they usually attend the training programs that aim at improving sales and service levels operations (Abdul-Hamid, 2011). Thus, with training, the owners of the SMTEs in the current study learn the fundamentals of business and necessary skills, which include the preparation of a comprehensive business plan. This explains the reason behind the stronger inclinations of these groups of entrepreneurs towards the importance of formal networks, such as public agencies or banks, given that they do not rely on personal savings and families for business capital.

As for the importance of informal networks in SMTEs learning, only the years of previous work experience appear to have significant differences and relationships in relation to this. This is expected since the entrepreneurs with fewest years (up to 2 years) of working experience are more dependent on the help and support from their informal networks of families and friends. In fact, Chen and Elston (2013) also made a similar conclusion about this connection in the context of restaurants in China. With the different variations attributed to the characteristics of entrepreneurs and SMTEs in relation to the perceived importance of both networks in SMTEs' learning, the next objective looked to address their impacts on absorptive capacity and business performance.

Objective 4: To identify the mediating influence of absorptive capacity on entrepreneurs' networks and the performance of SMTEs

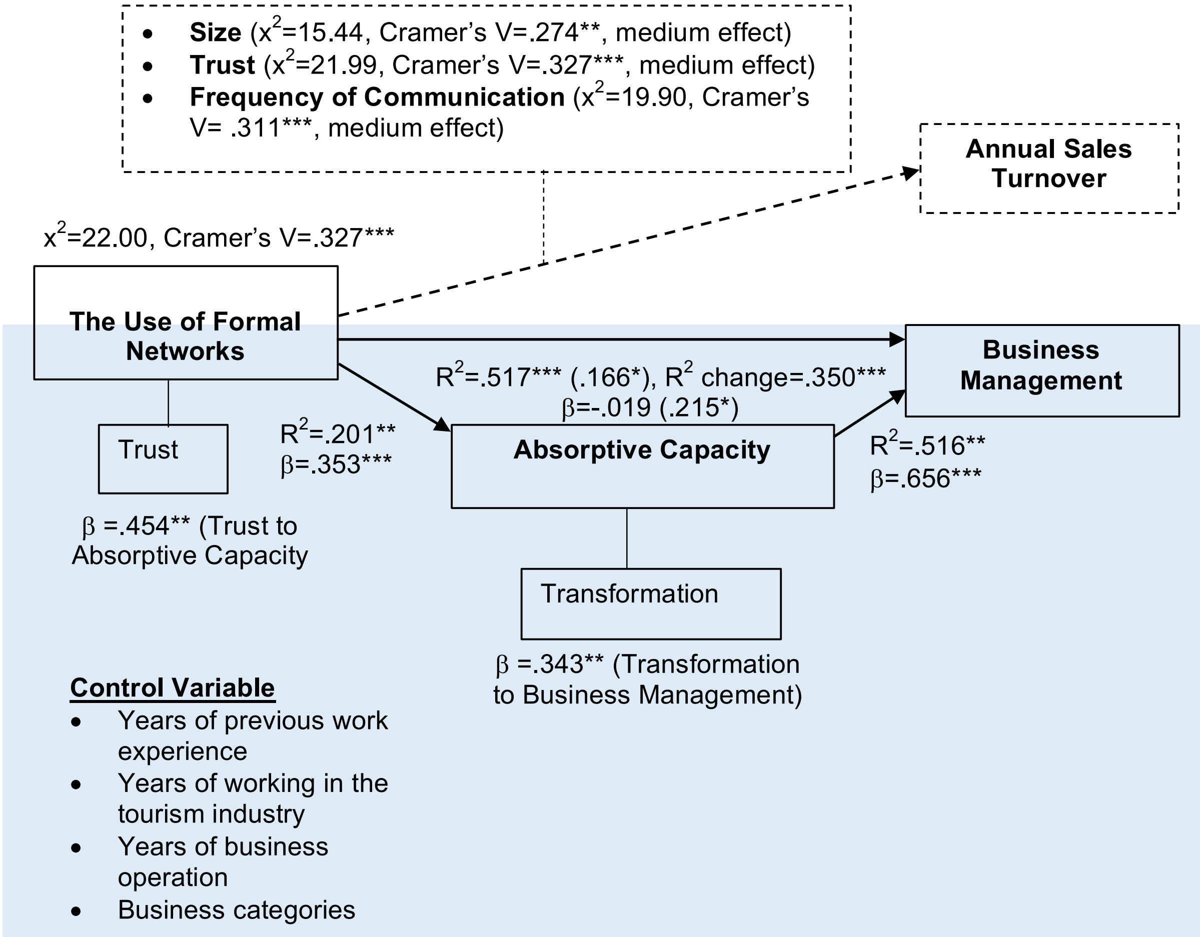
In achieving this objective, the second systematic review was conducted to examine the previous tourism literature on the relationship of networks, absorptive capacity and business performance from 1997 to 2018 (see Table 2.9 in Chapter 2). Accordingly, it is revealed that ***there is a lack of studies that analyse the absorptive capacity in tourism generally*** despite numerous scholars highlighting the crucial benefits of knowledge which could be gained from the networking activity (Shaw & Williams, 2009; Morrison et al., 2004; Gulati et al., 2000; Hakansson & Snehota, 1997).

In addition to this, ***the result also reflects the non-existence of tourism research that directly investigates the links between the variables of networks, absorptive capacity and business performance.*** Hence, to the best of the researcher's knowledge, the current work represents the first study in the tourism discipline to explore this relationship between all the mentioned variables. For this reason, ***the fulfilment of this objective is a crucial contribution to the body of knowledge specifically in the tourism area that concerns the interrelationship between networks, knowledge and performance***. Given the importance of this objective as well as the contextual factors that were revealed in the fulfilment of previous research objectives, hierarchical linear and multiple regression analysis was conducted to identify the relationships between the formal and informal networks, absorptive capacity and business performance.

This analysis was employed particularly to control the potential influences from the external control variables of the characteristics of entrepreneurs and SMTEs. This is vital given the distinctiveness of their characteristics as well as their effects on the importance of formal and informal networks in SMTEs' learnings. Thus, four dimensions of characteristics were identified that consist of: (1) years of previous work experience, (2) years of working in the tourism sector, (3) years of business operation and (4) business categories chosen as the control variables. Furthermore, it is also important to note that the chi-square test for independence was also used since there were violations of the assumptions of parametric analysis with all the relationships that involved annual sales turnover as the dependent variable.

Basically, the results derived from the hierarchical linear and multiple regression analysis reflect the ***statistically strong significant mediation effect of absorptive capacity on the relationship of the use of formal networks and business management***. Apart from business management, ***the use of formal networks also appears to have a statistically significant relationship with the annual sales turnover***. Based on these quantitative results, Figure 9.2 presents the research model that depicts this relationship.

Figure 9.2 – Research Model of the Use of Formal Network, Absorptive Capacity and Business Management



Source: Author. Note: Confidence Interval, **p*<0.05, ***p*<0.01, ****p*<0.001.

From Figure 9.2, it can be seen that trust ***is a significant dynamic that facilitates the process of absorptive capacity***. This is in line with the discussions from past literature as trust can be vital in entrepreneurial success, where it can tie individuals with similar or corresponding interests into long-term and strong relationships (Welter, 2012). ***With trust as the facilitator of the network relations with the formal contacts, the role of absorptive capacity becomes crucial as part of the process in modelling the effectiveness of the knowledge transfer*** from the sender (formal contacts) to the receiver (entrepreneurs and SMTEs).

Within the absorptive capacity, the role of transformation is particularly important in presenting the ability of the entrepreneurs and their SMTEs to combine the new knowledge derived from the use of formal networks with the internal knowledge, which subsequently led to the new business insights. When this process starts to take effect, the entrepreneurs acknowledge the improvement this process may bring to the business management such as the developments of products or services, business operations, customer retentions and growth of the SMTEs. Looking at the overall connections between the variables, it can be concluded from the empirical evidence that the ***'transformation' of knowledge absorbed from the entrepreneurs' use of formal networks is the outcome of 'trust' that binds the relationships between the entrepreneurs and their formal contacts. With the dynamic interactions between trust and transformation of knowledge absorbed from the entrepreneurs' use of formal networks, it led to the positive improvement of business management.***

In the context of the relationship between the use of formal networks and annual sales turnover, the chi-square test for independence heightens the importance of size, trust and frequency of communication. ***Evidently, trust is the most important factor in the improvement of the annual sales turnover and this is followed by the frequency of communication and the size of the network contacts***. It needs to be noted that with frequent communications, it reflects the strength of the relationships as these relations are characterised by trust and common interest with more possibilities of crucial or detailed exchange or resources that may be useful for the SMTEs' annual sales turnover (Granovetter, 2005, 1983; Anand & Khanna, 2002; Uzzi, 1996). At the same time, if the entrepreneurs have more contacts with frequent communications, Obstfeld (2005) notes the broader possibilities of entrepreneurs to emerge, combine and re-combine crucial ideas or insights from their respective networks.

As for the use of informal networks, it is notable that these do not have any statistically significant relationships with business management nor the annual sales turnover.

This is despite the positive descriptive results reported where the size, strength, trust and frequency of communication was better comparatively than the use of formal networks. This is a very interesting insight as the overall results of the current study are consistent with the assertion from Lechner et al. (2016) emphasising the inability of the informal networks to have a substantial bearing or influence on an organisation's performance. For this reason, most of the scholars argue for the need for businesses to go beyond their organisational resources and embrace the external resources that can be obtained from the enduring and strategic importance of formal ties of joint alliances, buyer-supplier relationships and others (Shaw & Williams, 2009; Gulati et al., 2000; Hakansson & Snehota, 1997). In order to have a better understanding of the relationship between the networks, absorptive capacity and business performance, the next objective is to address the qualitative details on the issues of networking, its formation and inhibiting factors, activities, contents and its' impacts on the annual sales turnover and business management.

Objective 5: To understand the context of relationships between the characteristics of entrepreneurs and SMTEs, formal and informal networks, absorptive capacity and business performance

The results discussed in the fulfilment of the fifth and last research objective was obtained from the thematic analysis based on 14 semi-structured interviews with the entrepreneurs across the four different tourism sub-sectors of hotels, travel agencies, restaurants and handicrafts. The key findings from the previous objective basically highlights the positive effects of the use of formal networks and absorptive capacity on business management and the significant impacts of the use of formal networks on the annual sales turnover. Despite the results, it is important to note the many issues that potentially inhibit entrepreneurs from engaging in and committing to networking activities. ***The issues can range from the unhealthy economic conditions, cronyism and the lack of substantial contents received from their network relationships***.

In addition to this, the internal issues within the entrepreneurs such as ***poor mentality, lack of interest, laziness and the burden of networking*** also further contributed to the negative perceptions of some entrepreneurs from the restaurant and handicraft businesses towards its benefits. Given the issues, it is notable that many of the entrepreneurs across the four tourism sub-sectors have been living in Terengganu for most of their lives and hence, are well versed with the business scene and local culture. As discussed previously, the nature of the religious belief and the four cultural factors should present dynamic encouragement or facilitation for the entrepreneurs to network as they know and trust each other. For this reason, ***trust and formal documentation are the most cited reasons for entrepreneurs to engage in networking***. This is especially true considering the role of trust as the essential component in establishing collaborative relationships or network connections with other organisations (Porras et al*.,* 2004).

For most of the hotels and travel agencies, there are cases where they embedded themselves in formal and horizontal relationships with similar or different types of organisations (see the work of Sorensen in 2007 on the systematic categorisation of horizontal networks). ***They benefit from the relationships with similar or different types of businesses where there is transparency in sharing the marketing strategies and business solutions in a formal environment. Furthermore, they also appreciate the importance of these formal relationships in making businesses and generating sales through their products and services***. This is important since they can potentially absorb the best practices that are sector-specific in solving business problems, achieving organisational goals as well as responding to niche markets or consumer needs with the main aim of economic self-interest (Williams & Shaw, 2011, Shaw & Williams, 2010; Cooper et al*.* 2006; Thomas, 2000; Hjalager, 1997).

In contrast with the owners of handicraft businesses, they are more likely to depend on their informal contacts like families and friends for psychological support and business advice.

As for the owners of restaurants, they are dependent on the nature of their operations as well as the nature of situations that can give them a ‘profitable push’ to commit to formal networking activities. If they are intergenerational and traditionalistic, most likely they are not going to be appreciative of networking activities. In the context of the restaurants that embrace modern management, there are good opportunities for the entrepreneurs to commit to the formal networking activities. Basically, the ***entrepreneurs are informal when they communicate with others at the individual level. At the organisational level, the nature of the meetings can be both formal and informal with the orientation being business or communal***.

With regard to the contents received from the use of both types of network, there are differences in terms of the breadth, consistency and significance. ***For the formal networks, the wide breadth of their contents*** range from financial and equipment support, business solutions and advice, product creation, business transactions and sales and business knowledge to the preservation of the crafts. ***In contrast, informal networks’ breadth is reduced to three important contents*** of psychological support, sales and advice. This is important to note given the clear overall differences highlighted in the prior objective between both networks in terms of the size of the networks, strength, trust and frequency of communication. It appears that despite the preferences of entrepreneurs for the use of informal networks in their business learning, it is evidenced that a wider range of benefits can be derived from the use of formal networks.

Apart from the breadth, it is also evident that there is more consistency and significance of the contents that can be obtained from the use of formal networks. The formal structure attributed to the activities of formal networking (e.g. meetings of the associations and public agencies) further highlight the significance and consistency of the content that can be received. Notably, the participation of the relevant government agencies in the formal meetings is particularly crucial given the SMTEs’ dependency on them for the sustenance and success of their business operations. This essentially provides advantageous business positions for entrepreneurs and SMTEs.

The fact that these meetings are systematically organised provides the consistency needed for the SMTEs involved to have transparent discussion on range of business issues and knowledge sharing between the key public authorities and entrepreneurs. This is crucial considering the lack of structure associated with the informal meetings and the lesser consistency of significant contents that can be received from the informal networks. All things considered, these qualitative perspectives have provided important explanations for the reasons behind the absence of a significant quantitative relationship between the use of informal networks and business management and annual sales turnover ***given the lack of breadth, consistency and significance of the contents as compared to the use of formal networks. The advantageous characteristics of the contents from the use of formal networks have been shown to increase the importance of the mediating effect of absorptive capacity with numerous cases (see section 8.4 in Chapter 8) of entrepreneurs having acquired the knowledge from their network contacts and transformed it into newly created services, products or operations***.

This process is crucial for entrepreneurs as it entails the extension of their SMTEs' in-house knowledge by the internalization of the relevant external information which helps to stimulate innovation, competitiveness and enhance organisational performance (Flatten et al*.,* 2011; Valentina & Passiante, 2009; Matusik & Heeley, 2005; Levitt & March, 1999). In other words, the empirical link provided in the current work between the networks and absorptive capacity on the business management particularly reflects the growing evidence of the reliance of tourism enterprises on external knowledge (King et al*.,* 2014; Williams & Shaw, 2011). ***Trust, commitment in networking and significance of the contents of the networks explain why entrepreneurs participating in the study identified positive impacts of networks on their SMTEs' performance.*** Since SMTEs are key components in the destination's development (Shaw, 2014a), it heightens the importance of this notion and finding especially for tourism practitioners, policymakers and academics, given the impacts that SMTEs performance would have on the development, success and livelihood of Terengganu as one of the main tourism destinations in Malaysia.

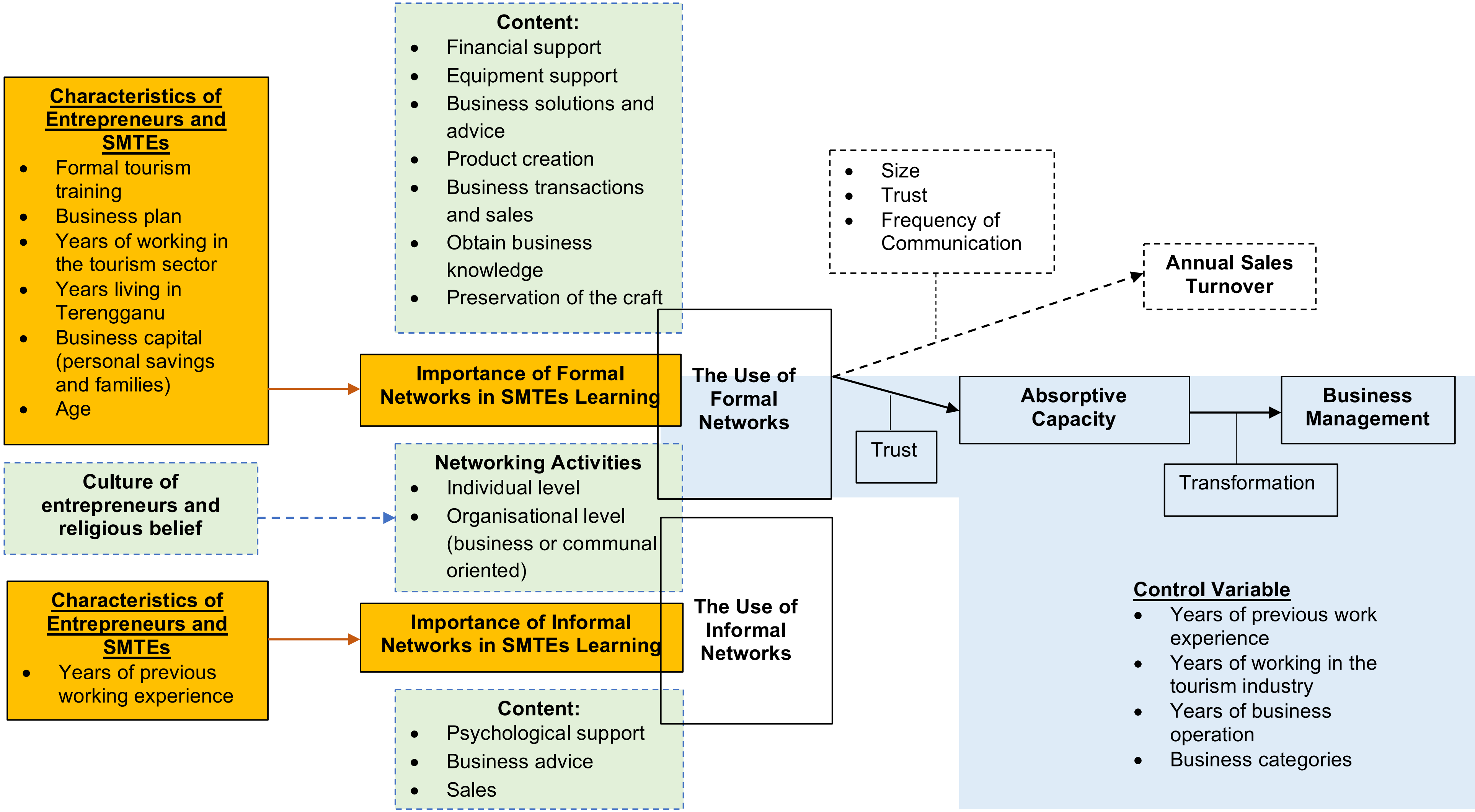
9.3 Convergence of Quantitative and Qualitative Results of Characteristics of Entrepreneurs and SMTEs, Networks, Absorptive Capacity and Business Performance

Based on the prior summarisation of the key findings, this section synthesizes the corresponding quantitative and qualitative results from the discussed research objectives. This convergence will be illustrated in the following research model in Figure 9.3, where the aim is to show the systematic overall connection or linkages of each of the conducted analyses of the research variables.

The research model depicted in Figure 9.3 basically starts from the characteristics of entrepreneurs and their SMTEs and leads to the importance of formal and informal networks in SMTEs' learning. This relationship is tested through the non-parametric tests of Kruskal Wallis and Mann-Whitney U. The research model highlights the differentiation and characterization of the importance of formal and informal networks through the contextual settings of the characteristics of entrepreneurs and SMTEs. Then, the second part of the research model presents the qualitative relationships, which illustrate how the culture and religious beliefs facilitate the willingness of entrepreneurs to commit to networking activities. The third part of the research model shows the differences in terms of the qualitative breadth, significance and consistency of the contents for formal and informal networks.

Accordingly, the three variables of the importance of both networks, networking activities and their contents constitute the one part of the crucial components of the research variables of the use of formal and informal networks. As for the other part of the components of the use of formal and informal networks, they consist of the three dimensions of size, trust and frequency of communication. Given the context, it has been empirically proven through the hierarchical regression analysis that the use of formal networks has a statistically significant relationship with the business management with the effects of the years of previous work experience, years working in the tourism sector and years of the business operation as well as business categories being controlled.

Figure 9.3 – Integrated Research Model



Source: Author

In addition to this, absorptive capacity has been revealed to be a strong mediator between the two variables of the use of formal networks and business management. For this reason, the inclusion of absorptive capacity helps to model a more comprehensive process of the effects of the use of formal networks on the business management. Within the relationships, trust and transformation are two important and dynamic dimensions that help to further explain the relationships between the use of formal networks, absorptive capacity and business management.

As for the relationship between the use of formal networks and annual sales turnover, the initial result of the hierarchical regression analysis indicates that there is no role for absorptive capacity since there are qualitative indications that the relationships between the entrepreneurs and formal contacts are mainly based on doing businesses and generating sales. This is consistent with the motivations of their business start-up as most of these are based on the premise of economic incentives.

However, it is important to bear in mind that there were violations of the assumptions on all the analyses that involved the annual sales turnover, which in turn, could impact on the accuracy of the results of the hierarchical regression analysis. For this reason, the chi-square test for independence was conducted on all the relationships that violated the assumptions of the parametric analysis. Correspondingly, the results of the chi-square test for independence indicates that there is a significant relationship between the formal networks and annual sales turnover as the three dimensions of size, trust and frequency of communication makes important contribution. In the context of the informal networks, it seems that the results from both analyses of hierarchical regression and chi-square test for independence have illustrated that the research variable does not have any empirical relationship with absorptive capacity, business management nor annual sales turnover.

9.4 Key Contributions

For this section, the thesis looks to address the key contributions that were achieved from the fulfilment of the five important research objectives. Essentially, there are many key theoretical contributions that were made considering the importance of networks and knowledge in business operations, which is well documented in the literature (Schoonjans et al., 2013; Hoang & Antocic, 2003; Morrison et al., 2004). Using the potential links between the networking activities and absorptive capacity, the current thesis makes important theoretical contributions with the development of a conceptual framework illustrated in Figure 2.3. This conceptual framework was built upon the premise of systematic review of the literature where there is yet to be any tourism studies conducted within this area of interest. Thus, the conceptual framework in Figure 2.3 is primarily produced to highlight the interlinkages between the characteristics of entrepreneurs and SMTEs, use of formal and informal networks, absorptive capacity, business management and annual sales turnover.

The importance of this theoretical contribution is further heightened with a final integrated model produced through statistical modelling and qualitative analysis in Figure 9.4. Specifically, this framework is the first one in the field of tourism that provides a comprehensive outlook, based on empirical analysis, on the interlinkages between the characteristics of entrepreneurs and SMTEs, culture and religious beliefs, networking activities, network contents, formal and informal networks, absorptive capacity, annual sales turnover and business management.

In terms of advancing applied research, the novelty and importance of the current thesis is heightened considering that these variables and dimensions are analysed in the context of an inter-sectoral perspective rather than just focusing only on accommodation units. This was achieved through the participation of hotels and resorts, restaurants, handicrafts and travel agencies as they enable a detailed inter-sectoral comparison in terms of the characteristics of the entrepreneurs and businesses as well as the dynamics of their network structures and activities.

This represents a significant advance in understanding the role of networking across major parts of the tourism sector - including the sub-sectors beyond accommodation that gives a more holistic perspective on the role of networks in defining business performance. It is hoped that more studies will use such an approach. The selection of Terengganu as the research setting is equally important as there is not enough research on networks in the context of Asian countries when compared to European settings (see Table 4.3 in Chapter 4). Furthermore, the unique characteristics of Terengganu also provide an important opportunity in exploring the effect of culture within the networks of SMTEs.

In terms of the key practical contribution, the outcomes of this research can be recommended as one of the crucial frameworks to develop and enhance the training programs, organisational initiatives, efforts and policies to cultivate and promote networking and learning behaviours among entrepreneurs in Terengganu. To encourage the entrepreneurs to commit to networking activities, the policymakers like MAH, MATTA and others may need to be more proactive in reaching the SMTEs given the relatively lower level of entrepreneurs' appreciation of the role of formal networks in comparison to their informal contacts. This is especially important considering the importance of the public policymakers in strengthening a tourism destination like Terengganu to be competitive by the facilitation of knowledge flows. As demonstrated in the literature and the current thesis, the role of formal networks in the shape of public sector intervention is particularly valuable for creating learning networks in enhancing the competitiveness of SMTEs (Reinl & Kelliher, 2014; Kelliher & Reinl, 2011).

In this sense, the nature of the results of the study provides the opportunity for the policymakers in identifying and working with SMTEs that have more possibility to benefit from the formal networks – with the view of enhancing the overall business learning, operations and annual sales, which would also subsequently lead to the improvement of Terengganu's tourism sector and overall destination management.

9.5 Research Limitations

With the conclusion of discussion of the findings, it is important to underline the number of limitations that could not be avoided given the timescale, funding and manpower involved. It needs to be highlighted that the data collection period was strictly for three months as it is the policy of the Malaysia's Ministry of Education not to exceed that period for any purpose when their scholarship holders are in the country. Due to the rather limited timeframe for data collection, the researcher opted for convenience sampling, which, consequently led to the inability to generalise the results beyond the research population and respondents.

Despite the adoption of convenience sampling, the overall data collection process was complicated by the difficulties in approaching the owners or entrepreneurs of the hotels and resorts and travel agencies, particularly given the nature of their businesses, as compared to the handicrafts and restaurant businesses. Since most of the owners or entrepreneurs were busy with the operations of their businesses, it was challenging to obtain quality data, especially for the semi-structured interviews as some of the interviews were brief.

In addition to the issue of approachability, it was identified that the sampling frame provided by the Terengganu's State Tourism Agency has not been recently updated. This is due to the inclusion of substantial numbers of closed travel agencies in the sampling frame when the data was collected. This explains the disproportionate numbers of each respective sub-sector in the make-up of the total number of questionnaires administered and collected in the present study. Apart from the data collection, the researcher also faced the relatively low reliability of the items that measure the dimensions of informal networks. As mentioned in section 6.3 of Chapter 6, this might be due to the skewed distribution of scores, which is considered by Pallant (2011) as a normal occurrence within the field of social science. Nevertheless, the variable of informal networks was still analysed as the range of their Cronbach's alpha was still considered as acceptable and moderately reliable.

As for the assumptions, it is important to note that the multicollinearity assumption was violated when the dimension of strength for formal and informal networks was included in the regression equations. Since the questions of the formal and informal networks were adapted from the works of McLeod (2010), Fernandez-Perez et al*.* (2012) and Ahmad (2005b), it is important for future endeavours to adapt from different sources of literature and change the format of questions for the dimension of strength particularly. Furthermore, all the regression analyses that involved annual sales turnover as the dependent variable violated the assumptions of linearity and homoscedasticity as well as independence of residuals (see section 6.6 of Chapter 6 and **Sub-Appendix 6.5** of **Appendix 6**). For this reason, the additional analysis of the chi-square test for independence was conducted to safeguard the accuracy of potential results and their interpretations for all the analyses that involved annual sales turnover as a dependent variable.

9.6 Future Research

Given the limitations of the current study, there are several recommendations that can be made for future research in the area of characteristics of entrepreneurs and SMTEs, networks, absorptive capacity and business performance. The present research only focuses on the perspective of the entrepreneurs as the importance of formal networks and absorptive capacity in impacting the SMTEs' business management and the impact of the use of formal networks on annual sales turnover have been empirically proven. For this reason, it is suggested that future research should look to study the perspectives of public policymakers on networking activities in Terengganu since there are several of them entrusted by Federal and State Governments in assisting the entrepreneurs and SMEs in Malaysia generally.

Based on the researcher's anecdotal observation, the provisions of financial assistance, training, seminars, workshops and other programs offered by these policymakers are well-developed, progressive and can be a significant factor in the improvement of the overall business operations of SMTEs.

In the light of the need to have more research from the perspective of the policymakers, it is also important to continue and extend the work of the current research into different contextual settings. For instance, the employment of this study in the different parts of Malaysia and other countries will be integral in assessing the generalisability of the findings. In fact, further statistical analysis of the current dataset can be conducted using the stepwise regression methods to explore further the interlinkages of the extensive number of variables and dimensions in the thesis. The other suggestion is to conduct more research for scholars and sector practitioners to synthesize concerning the core theories of networks and absorptive capacity, given the obvious paucity of research within the area in tourism.

Within the setting of multi-cultural diversity in Malaysia, for instance, it is interesting to delve further into the quantitative relationships between the cultural factors, networking and business performance. Furthermore, given the under-utilisation of the motivation factor in the present work, it also heightens the need to investigate further the theoretical connections that can be made with the networks and absorptive capacity.

Another area that should be considered for future work is the inclusion of factors that 'push' these entrepreneurs to commit with networking activities in the equation. This recommendation is made given the interesting sentiments of some qualitative cases where the entrepreneurs under-utilised their networks. This is despite the nature of the tourism sector that requires and demands the interactions between the relevant public, private and hybrid stakeholders for the competitiveness of both destinations and SMTEs.

Finally, the link between the theory of leadership, networking and absorptive capacity should also be explored further in tourism, given that there might be a significant potential link between the type of knowledge (tacit or explicit) within the SMTEs' networks and the role of leadership in facilitating this process (Thomas et al*.,* 2011).