DETERMINING THE KEY SUCCESS FACTORS OF
TOURISM SMALL AND MEDIUM-SIZED ENTERPRISES (TSMEs)
IN MALAYSIA

By

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MBA (Mas), BBA (Hons.) (Mas)

Thesis submitted for the degree of Doctor of Philosophy

Newcastle Business School, University of Newcastle, Australia

December, 2013
STATEMENT OF ORIGINALITY

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This thesis investigates the underlying success factors of tourism small- and medium-sized enterprises (TSMEs) in Malaysia. Tourism has emerged as one of the world’s major industries with significant changes in the structure and operation of the tourism industry worldwide. The global transition to tourism-focused economies, the emergence of new destinations, and increasing demands for differentiated tourism products and services have engendered the need for TSMEs to develop strategies to become competitive in the changing global economy. Despite the efforts, TSMEs continue to face challenges that impede successful tourism development in destination countries, thus slowing gains that can emerge from TSMEs activities.

As one of the most popular destinations in the world, the Malaysian government has taken a strategic approach to developing the performance of its tourism industry. Currently, tourism has become the second largest contributor to gross domestic product and a major contributor to foreign exchange earnings in the country. Given this, the Malaysian government has made concerted efforts to spur the tourism industry through empowering and supporting TSMEs. Understanding the key success factors of TSMEs is therefore pertinent.

To achieve this objective, this study examines the operations and identifies key success factors of TSMEs in Malaysia based on Resource-Based View (RBV) theoretic framework. A structured questionnaire was administered to 346 Malaysian tourism entrepreneurs to
elicit information on their managerial characteristics and performance. The descriptive and inferential analyses were conducted using the SPSS 18 and AMOS 18 statistical packages.

The empirical findings from this research are summarised. First, the motivation of tourism entrepreneurs to enter the industry in Malaysia is driven by certain socio-economic and demographic characteristics. Empirical results indicate that there exists a positive association between age and entrepreneurial motivation. Second, tourism entrepreneurs in Malaysia perceive management practices of business planning, business alliances, motivation and government support as key factors for sustaining TSME business performance. Third, there is strong empirical evidence to indicate that a causal relationship exists between management practices and TSME performance in Malaysia. That, the key success factors of business planning, tourism entrepreneurial motivation and government assistance programmes have had a strong positive effect on the performance of TSMEs in Malaysia.

This study provides strong empirical evidence to indicate that to improve the performance of TSMEs there is the need to enhance the socio-economic and demographic characteristics of managers as well as continue to maintain government assistance programmes to TSMEs. This could be achieved through developing effective government policies and creating greater awareness of assistance programmes offered by the government, improve efficacy of public and private institutions that support TSMEs, and encouraging further training and exposure of managers to advances in entrepreneurial skill development in Malaysia.
For my beloved husband and children

Ismadi Ismail
Julia Ismadi
Jasmine Ismadi
Johan Ismadi

With Love and Respect

My Late Parents - Kalsom Dohat and Set Sani
Parents in Law – Norliah Hussin and Ismail Jejaka
ACKNOWLEDGEMENTS

Al-hamdu lillaahi Rabbi-‘Aalamin – ‘All praise unto Allah, the sustenance of the universe, the most gracious’. Because of Him I managed to complete this study and He sent some wonderful people to help me complete this challenging journey.

I sincerely thank and am deeply grateful to my supervisors, Professor Amir Mahmood and Dr. Frank Agbola, for their direction, guidance and endless support. Their wide-reaching knowledge, patience and invaluable advice helped considerably over the course of my PhD journey. I am extremely grateful to have both of you as my supervisors.

I am particularly indebted to University Malaysia Terengganu (UMT) and the Ministry of Higher Education (MOHE) for giving me the opportunity and supporting me financially to do my PhD at the University of Newcastle. I would also like to thank all the members of staff at the University of Newcastle for the resource support and administrative assistance.

Last but definitely not the least, I am grateful to my beloved husband and best friend, Ismadi Ismail, for the unrelenting support he has afforded me, and for being there for me through thick and thin. Thanks also to my gorgeous daughters, Julia and Jasmine, for the laughter. To my family-in-law, thank you and much appreciation for your help and your good care looking after Julia and Jasmine while I was doing my thesis. Also to my supportive family members: thanks for the prayers and unconditional love and to my late parents for the inspiration. Thanks are also given to my friends for their moral support and encouragement throughout my studies. It is only Allah that can repay all your kindness. THANK YOU.
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<tbody>
<tr>
<td>ATV</td>
<td>All Terrain Vehicle</td>
</tr>
<tr>
<td>AVE</td>
<td>Average Variance Extracted</td>
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<tr>
<td>BNM</td>
<td>Bank Negara Malaysia</td>
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<tr>
<td>CFA</td>
<td>Confirmatory Factor Analysis</td>
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<td>CFI</td>
<td>Comparative Fit Index</td>
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<tr>
<td>DOS</td>
<td>Department of Statistics, Malaysia</td>
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<tr>
<td>EFA</td>
<td>Exploratory Factor Analysis</td>
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<td>GDP</td>
<td>Gross Domestics Product</td>
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<td>GFI</td>
<td>Goodness-of-fit index</td>
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<tr>
<td>HRM</td>
<td>Human Resource Management</td>
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<tr>
<td>ICT</td>
<td>Information and Communication Technology</td>
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<td>KLIA</td>
<td>Kuala Lumpur International Airport</td>
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<td>KMO</td>
<td>Kaiser-Meyer-Oklin</td>
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<tr>
<td>KSF</td>
<td>Key Success Factors</td>
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<tr>
<td>LCCT</td>
<td>Low Cost Carrier Terminal</td>
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<tr>
<td>MAS</td>
<td>Malaysia Airlines System</td>
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<tr>
<td>MECD</td>
<td>Ministry of Entrepreneur and Cooperative Development</td>
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<tr>
<td>MICE</td>
<td>Meeting, Incentives Convention and Exhibition</td>
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<tr>
<td>MITI</td>
<td>Ministry of Trade and Industry</td>
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<tr>
<td>MLVK</td>
<td>National Vocational Training Council</td>
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<td>MOCAT</td>
<td>Ministry of Arts, Culture and Tourism</td>
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<td>MRS</td>
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<td>NERP</td>
<td>National Economic Recovery Plan</td>
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NOSS  National Occupational Skill Standards
NSDC  National SME Development Council
NTHRDC National Tourism Human Resource Development Counsil
OECD  Organisation of Economic co-Operation and Development
PAF   Principal Axis Factoring
PWTC  Putra World Trade Centre
RBV   Resource Based View
RM    Ringgit Malaysia
RMSEA Root Mean Square Error of Approximation
SARS  Severe Acute Respiratory Syndrome
SEM   Structural Equation Modelling
SFL   Satisfactory Factor Loading
SMEs  Small and Medium Sized of Enterprises
SRMR  Standardised Root Mean Square Residual
STACD State Tourism Action Council Department
TDC   Tourist Development Corporation
TLI   Tucker Lewis Index
TSA   Tourism Satellite Account
TSMEs Tourism Small and Medium Sized of Enterprises
UK    United Kingdom
UNWTO World Tourism Organisation
VMY   Visit Malaysia Year