

A Case Study of Small Budget Chalets at East Coast of Malaysia

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Abstract

This study is aimed to focus on the business performance of small budget chalet at the coastal area of Malaysia. The trend in the tourism sector has revealed that these small firms have continuously played significant roles within the hotel industry internationally. The purpose of the study was (1) To investigate the characteristics of small budget chalet organization; (2) To explore the organization management of the small budget chalet firm and (3) To explore the business performance of the small budget chalet firm. Due to the nature of the study and lack of industry contextual variables, the research employed qualitative approach where multiple case studies were used. The data collection included personal interview and observation on the small budget chalet owners-manager to enable the use of cross-sectional analysis. The findings from this study enable the academician to develop a program for entrepreneurs in the hospitality industry while the practitioners would be able to further understand the importance of aligning personal, organizational and external factors with their business strategy in order to be successful small budget chalet entrepreneurs.

INTRODUCTION

Tourism industry in Malaysia had been designated as a priority sector by the Government in the 9th Malaysia Plan. The industry had become Malaysia's second largest foreign exchange earner since 2000 with RM17.3 billion and increased to RM46.1 billion in 2007. Besides being a foreign exchange earner, the increase in tourism activities generates multiplier effects in other sectors of the economy such as the hotel industry, retail businesses, restaurants and transportation. The spillover effect of tourist expenditure is expected to filter through to the broad economy with tourists spending mostly on accommodation (31%), shopping (27%), food & beverage (18%) and transportation (10%). According to Malaysia Budget Hotel Association (MBHA), the number of budget hotels in Malaysia rose significantly from time to time parallel with the growth of national tourism sector. The demand of these budget hotels has been remarkably increasing as tourists largely keep their budget for accommodation in control. As at today, the total number of memberships with MBHA is 1,186 with the total number of room supply 35,879 giving an average size of 30 rooms. Budget hotels are classified by star rating ranging from 2 (two) star or equivalent and below.

The characteristics of budget hotels are commonly distinguished through the ownership and facilities in which common operators of these hotels normally involved professionals such as lawyers, engineers, accountants and doctors who basically have a very partial knowledge of the hotel operation, individuals with limited formal education or experience directly related to the hospitality industry who inherited family business as well as small investors. In terms of facilities, these hotels do not offer ancillary facilities on top of the standard basic accommodation facilities. Budget hotels could be registered as hotel, resort, lodging house, rest house, motel, hostel, chalet, guest house or inn. With an average room rate as low as RM80 per night; budget hotels are capable at holding customers with an average length of stay of 4 consecutive nights per visit. This study reported the results case studies of five small budgets chalet in East Coast of Malaysia.

The issues investigated in this study include; (1) the characteristic of the small budget chalets organization; (2) the organization management of the small budget chalets and; (3) the business performance of the small budget chalets.

LITERATURE REVIEW

The small firm continues to play a significant role within the hotel industry internationally. Morrison (1996) defined small tourism business as financed by one individual or small group, directly managed by its owner(s) in a personalized manner and not through the medium of a formalized management structure. It may or may not be affiliated to an external agency on a continual basis for at least one management function. In comparison to the largest unit of operation within the hotel industry it is perceived as small, in terms of physical facilities, product/service capacity, and number of employees. Whereas the definition by Cressy and Cowling (1996) is much broader, and whilst it is not focused on tourism it does highlight the inherent problem of defining the nature of a small business. Cressy and Cowling (1996) argue that the business has no power to control prices of the products it buys and sells and the credit it gives and receives. The business is managed by its owners who also control the business. A small business will most likely be a sole trader or a partnership but may also be a limited company. It will typically have fewer than twenty employees, but may have as few as one (the owner-manager) or as many as 500.

The National Survey of Small Tourism and Hospitality Firms in the UK (cited in Thomas et al., 1997) found that at least 80% of the firms were independently owned, single outlets, and 80% of respondents were sole or joint owners. Nevertheless, Roberts and Hall (2001) observed that a paucity of information on the behavior of small tourism firms means that entrepreneurial activity in the tourism sector is poorly understood. Shaw and Williams (1990), drawing on their own earlier work in Cornwall, England, as well as other studies of the industry, concluded that many owners were non-entrepreneurs or constrained entrepreneurs. Under-capitalization was a serious constraint resulting in little if any improvement or development of small accommodation businesses and business failure is frequently observed to be high in this sector. Shaw and Williams also characterized small-scale entrepreneurs in tourism in these ways: having little or no formal qualifications; using mostly family resources and labor; lacking business planning and growth strategies; doing little if any marketing, and possessing non-economic motives. Typically such owners moved to resorts for semi-retirement and other lifestyle reasons. True entrepreneurship was associated with non-personal sources of capital and innovative management skills.

Getz and Carlsen (2000), from analyzing a survey of 200 family businesses in tourism and hospitality in Western Australia, determined that the predominant motive for starting or buying the business was that of lifestyle enhancement, including moving to, or remaining in a rural area. Middleton (2001) examined the importance of micro businesses (defined as those employing fewer than ten people) in European tourism. He believed they comprise a seedbed of entrepreneurial and enterprise culture on which much of the profit and employment prospects of big businesses ultimately depends. They constitute 95% of tourism businesses and generate a third of total tourism revenue, earn money that tends to stay in the local economy, and are a vital part of new job creation, especially in areas of rural and urban regeneration. They also perform a vital role in stabilizing fragile economic areas; even if few jobs are created. Middleton also noted that many micro tourism businesses are formed for lifestyle reasons and consequently do not want to grow the business.

A study by Ahmad (2005) on small business owner manager at coastal area of Malaysia founded that the majority of the small chalets are owned and managed by the owner (59.5%), with the remainder operated by a manager. And most of the managers had a family relationship with the owner. This was explained on the basis that the owner was more likely to trust a family relation in comparison to an employee who was not. Male owner-managers dominate (81.1%) the sample, which is not a surprising finding as this is a reflection of the local culture where males enjoy more privileges than females, are recognized as the head of the family, and main decision-maker. Regarding the age of the owner-managers, 45.9% fall within the 30 to 45 brackets, 18.9% were younger than 30, and 35.2% were older than 45 years. The oldest grouping consisted the pioneers in the business, while the younger ones had either taken over from the previous generation, or had started a new business on land owned by their parents. Only 40% had joined a tourist association, for example, the Pulau Tioman Boatmen Association. The association provides boating services to tourists such as island hopping tour, transportation for diving or fishing trips and short distance water taxi. Approximately 10% had linkages with agents for marketing purposed, representing the chalets in major cities such as Kuantan, Kuala Lumpur, Johor Bahru and Singapore.

Significantly, 27% were members of political organisations (parties). However, network relationship with any other organisations was informal, and centred on the family, friends and acquaintances. In excess of 90% had networking relations with family members, 56.7% with friends, and 35.1% with relatives, and business associates (32.4%) were also included.

PURPOSE OF THE STUDY

The purpose of the study was to answer three research questions: (1) What are the characteristics of the small budget chalets of coastal area? (2) How is the small budget chalets been managed and (3) What is the financial performance of the small budget chalets business. Purposely, this study sought to find out the business of small budget chalets, the way of owners managing the operations of the chalets and the survivability of the chalets business.

RESEARCH METHODS

To answer the research questions, the case study method with multiple cases as described by Yin (1994) was used. The case study method has been demonstrated as appropriate investigating the issues because researchers must enter into the domain of the firm and study it in depth in order to understand the complexities of the situation. Basically, two principle means of data collection was utilized: (1) Interview with chalet owner-managers and (2) Non-participative observation of chalet operation. The data will be collected in-situ by a research team comprising of 3 members. The research team stayed at the participating chalet for 3 days and 2 nights in order to carry out the observation efficiently.

The focus of this study was small budget chalets that operated along east coast area of Malaysia. The chalets were identified thru Malaysia Budget Hotel Association (MBHA) directory. The sample selected based on Morrison (1996) definition for small business which is (1) the property consisted of 30 rooms and below (2) number of employee less than 20 people (3) owned by an individual or partnership and (4) managed by owners, local control and not part of any large company or chain. After contacting the owner-managers of the chalets, five of chalets owner-managers agreed to participate in the study. Yin (1994) suggested the use of multiple cases be viewed as multiple experiments and not multiple respondents to a survey. The consensus for numbers of cases falls between two and four as the minimum and ten and fifteen as the maximum (Perry, 1998). Therefore, the five cases were considered to be adequate for this case study.

A semi structured questionnaire consisting of twenty five open ended questions was developed to serve as the basis of the face to face interviews with each of the owner-managers on location at the chalets. The question covers on organization profile, operation of the chalets, resources of the chalets and financial performance that affect the business. The interview ranged from 1 to 1.5 hour length. Non participant observation was carried out to identified entrepreneurs behaviour and their relationship with the organization management and performance. This involved actions and reactions of management and employees, and material evidence. During the observation process, the researcher sought to confirm what was brought out in the interviews with the owners. Observations were conducted in both front and back-of-house areas (i.e., in public and operational areas). The information was recorded for future comparison to information received during the interview.

RESULTS

The result of the case study includes demographic information about the small budgets chalets, the operations and the financial performance of the chalets.

Characteristic of the Owners

The chalets owner-manager is all Malays with age range from 50 to 78 year old. Education backgrounds of the owners are until secondary level education. In term of working experience the owners had varies some of the owners are ex government pensioner, had working in chalets before and experience managing family chalets business.

Table 1. Demographic Profile

FACTORS	CHALET A	CHALET B	CHALET C	CHALET D	CHALET E
Owner Age	78 year old	55 year old	56 year old	50 year old	50 year old
Experience	Ex government servant working with Public Work Department	No	Involve in other business such as hand phones business, trading and cloth.	Working in chalets before	Managing family chalet business
Education	School	School	Finished school	School	School
Business structure	It's a family business where the operation is run by the 4 th son Nazri and his wife.	Family business where the son is in charge of the operations	Inherited the business from his father. Hired staff to help running the operation.	Family business where all family members involve in daily operation.	Family business where husband and wife running the operations.
Capital	Started with RM60,000 for 3 unit of chalets	Started with RM30,000 for 6 unit of chalets	Started of with RM5000 for 4 unit of chalets	Bought land with existing 12 units of chalets cost RM55, 000.	Bought land and existing 12 unit of chalets cost RM440, 000
Source of capital	Personal	Personal	Personal	Personal	Personal
Land size	3 acre near beach	3 acre near beach	1 acre near beach	1 acre which located 25 meter from beach	1 acre which beach is 30 meter from chalet separated by river
Operation period	18 year	25 year	43 year	23 year	1 year
Firm size (number employee employed)	0 FT PT on needed basis	4 FT	3 FT 2 PT		
Annual turnover	RM99k	RM121k	RM72k	RM65k	RM57k

Product and Facilities

Chalet A

The total number of wooden chalet units available is 15. They cater for families who are on vacation. Each unit differs in size and bed types. The room rate ranges from RM80 to RM130. The prices are fixed throughout the year. Each chalet is equipped with a bed, air-conditioner, television, fan, tables and chairs, pail, dipper. The amenities provided are bath towels and a bar of soap. Other facilities available are a green turf to conduct outdoor activities, a BBQ pit and a restaurant by the beach. The restaurant's operating hours are from 6pm to 3am and it can cater up to 150 pax. The restaurant is rented out for RM1200 per month. The tenant of the restaurant is given the liberty to decide on his or her own business activity. There are also 4 houses that are rented out for RM300 per month. Each house has 2 rooms and 1 bathroom.



Figure 1 Chalet A

Chalet B

The chalet units are designed as wood based kampong houses. The total number available for guests is 30 units which come in two types of rooms. The first type is a family room equipped with two queen beds, an air conditioner and a television set. The second type is a standard room which is equipped with one queen bed and one single bed, an air conditioner and a television set. Other amenities provided are bath towels and soap. Other facilities available are the restaurant which can cater for 100 guests. This restaurant is rented out to a vendor at a monthly rental of RM2,500. It has been in operation for 5 years.

The Multipurpose Hall is also available and can accommodate 200 guests. At present the hall is not fully utilized because it is rented out to a vendor.



Figure 2 Chalet B

Chalet C

The chalet is a seaside budget resort which is suitable for families and big groups. It has altogether 26 units with 23 units available for guests. Room rates are from RM60 to RM 120. With 23 units available for guests, the facility is designed to cater for groups. The facilities include:

- a) A surau which accommodates 60 people
- b) A hall which accommodates 60 people
- c) A restaurant with seating capacity for 40 pax
- d) A BBQ pit
- e) 3 units of wakaf (gazebo)
- f) A beach volleyball court
- g) A beach netball court

All activities are based on customer requests. Other activities offered here are turtle hatching watches, fishing, trips to nearby islands and jungle trekking.



Figure 3 Chalet C

Chalet D

The establishment is located beside the main road. It is suitable for both family and group packages. The beach is 25 meters from the chalets separated by a river. There are altogether 21 chalet units. Room rates range from RM60 to RM 180. There are 5 units with fans, 8 units with air conditioning and double beds, 4 units with air conditioning and double deluxe, 1 unit family with air conditioning and 3 units family superior with air conditioning. Situated on 1 acre of land and it offers facilities such as a hall to conduct training or seminars which can accommodate 80 pax, a surau for 80 pax and a restaurant cum canteen for group dining and catering.



Figure 4 Chalet D

Chalet E

There are 15 units with room rates ranging from RM60 to RM120. There are three types of rooms available: room with fan, room with air conditioning equipped with one double bed and one single bed, and room with air conditioning equipped with two double beds. Rooms are equipped with television, a praying mat and a dresser. The amenities provided are bath towels, soap and mosquito coil.

Other facilities available here are:

- a) A briefing shelter which accommodates 60 pax
- b) A surau which accommodates 60 pax
- c) A restaurant
- d) A camping ground where outdoor toilets and showers are provided
- e) A BBQ pit
- f) Rafts
- g) Canoes

The activities offered here are camping, canoeing, jungle trekking, volleyball and soccer on the beach, visiting a turtle sanctuary, family day, team building and fish/squid jigging.



Figure 5 Chalet E

Operation Management

For Chalet A operations, The operations of the chalet are managed by the husband and wife and they are helped by their sons during weekends. The husband's duties are to check the condition of the chalet units, prepare customers' special requests, maintain the cleanliness of the surrounding area, do the housekeeping, ensure the safety of the guests and survey of other competitors' activities. On the other hand, the wife's duties are to handle customer bookings, handle package pricing, manage the chalet collection, do the housekeeping and the laundry, and plan the part timers' schedule. Staff planning is done by the wife. If there are a large number of customers, they will hire part timers as helpers. Local villagers are readily available and many of them have already gained experience from various chalets around the village. Therefore, it is not that difficult to hire them as part time helpers. Payroll cost will be incurred if part timers are hired. They are hired to help out with housekeeping, and will be paid a sum of RM10 for each chalet unit they clean.

Chalet B is operated by family. Since the chalet is a family business, all family members are involved in the daily operations. The son duty starts in the evening when he will take the night shift which is from 10pm to 8 am. During this time, he will work alone handling guest check in. Other than that he will also check the collection of the day, records of the customers, and the supplies. During the daytime, his father and his sister will be taking care of operations.

Both of them will monitor the staff. Since all the staffs have been working with them for more than 5 years and they are all relatives, the owners really trust the staff to do their jobs. The clerk works from 8am to 6pm from Monday to Saturday. She will handle inquiries from the guests, guest registration, guest complaints and record the daily collection. If any guest requests for a discount, she will refer to the owner. The housekeeper will be responsible for cleaning and laundry. Here the management is flexible: there are no standard working hours for them as long as the job is done. If there is anything that needs to be repaired, they will inform owner. The gardener is responsible for the cleanliness of the chalet area and maintaining the landscape. In his free time, he will offer a massage service to those who need it. There is no plan to add more staff at this moment as the current number is sufficient for daily operations. The staffs are relatives and family members. This has been the practice since they started operations. The selection is based on relatives and family members' recommendations and they have all been working for more than five years with the owner.

Each of the staff is paid RM500 net per month as salary. The quarters and utility bills are provided for by the company.

Chalet C are managed by two supervisors. Both of them stay here and are given a chalet each as staff quarters. First supervisor is female, has been working for 4 years in this resort and her responsibilities include room rates, packages and administration. Second supervisor, male oversees the maintenance of the chalet. He has been here for 3 years. Both of them are assisted by 3 support staff. The support staff consist of one full-timer and two part-timers. The owner comes only in the morning to collect the money and walk around the chalet. If there is anything that needs to be done he will communicate with the supervisors. Staff planning is done by owner. At this moment, the owner satisfied with the current staff. If there is a big event, he will hire part timers to help out. The locals who live in nearby villages are sources of manpower; they are selected by the recommendation of trusted friends or family members. Operation costs are high. Monthly expenses total RM10, 000: staff salaries RM3, 600, utilities RM1, 400, allowances RM3, 000 and repair/maintenance RM2, 000. Every year during the monsoon season there would be no customers for 2 consecutive months. Moist from the sea water breeze affects electrical equipment, especially outdoor air-conditioning units and television sets.

Chalet D operations run by family members. The owner is in charge of decision making in regards to the chalet operations. He designs and does the construction work himself, and is helped by his son. The first wife is in charge of front office management and handles marketing activities. She develops accommodation packages and uses fax a machine to distribute the flyers/brochures. The second wife is the in-house cook and she handles all matters related to food service chores. The first son helps with the cleaning of the chalet compound. A second son handles repair and maintenance works. He is skilled in the repair of electrical appliances, and is under constant training from his father. The chalet operations involve all family members; they do not require additional staff at the moment. The two sons are paid RM500 each per month as salary.

Chalet E is managed by husband and wife. The wife handles the operations as her experience working in chalets before has given her confidence and management skills. The reception area is actually part of her house, which gives her convenience in managing both domestic and office chores at the same time. She also does housekeeping and laundry. Since the 8 units are occupied for long term, she only needs to concentrate her housekeeping on the other 7 units of the chalet. There is no manpower planning. Operations and management are done by both husband and wife who are capable of multitasking for long hours. Whenever they need staff, they prefer family members and relatives. This is because they know the background of the people personally

Business Performance

The performance of the small budget chalets is varied depend on location of each chalet, products and facilities available on premise as well as marketing and promotion. From the interview with the owners of the small budget chalet, the range of net income they earn after deduct the expenses is RM3000 to RM5000 per month. Below are the table of net income earn by the chalets:

Table 2. Net Income of the chalets

Chalet	Net income(RM)
A	4500
B	5000
C	-
D	4000
E	3000

DISCUSSION AND CONCLUSION

The study sought to find out the business of small budget chalets, the way of owners managing the operations of the chalets and the survivability of the chalets business. The study found out that the operation of the small budget chalets of east coast area is depending on the number of unit chalets and the facilities available. Two (2) of the chalets operated with below of fifteen (15) units where the husband and wife running the business. The day-to-day routine which include cleaning, housekeeping, maintenance, bookkeeping and reservation are done by the owner-manager themselves as they conveniently live within the chalets area. During weekends and public holidays, the children of the owner-managers of the chalets would lend their hand in the operation as they would not be able to do so during their working days. Besides, part-time workers would also be hired as and when needed. Three (3) of the chalets is above fifteen (15) units with additional facilities.

From this three (3) chalets, two (2) are family business in which it is operated by a family which involved the father, mother and their sons. Each family member worked as a team and was given specific tasks in the chalet operation.

The father of the family functioned as the manager of the business and was given the authority to make final decision to any matters related to their business. And one (1) of the chalet is operated by the chalet entrepreneurs with the help of full time staff. The number of staff employed ranging from three (3) to six (6) staffs depending on the number of chalet units and services provided. The staffs recruited are either immediate family members or local village people. The staffs are in-charged in cleaning, housekeeping, marketing, maintenance and handling reservation. However, operational decision making process is at the owners' full discretion. In response to this chalet business operation, Morrison and Teixeira (2004) in their study had described this type of small budget chalet operation as family business with partnership shared among spouses, immediate and extended family members. Family members are active in the owner managed business, taking on role such as general management, supervision, accounting, cleaning and catering.

The study also discovered that all the small budget chalet entrepreneurs have no promotional activities held for their chalets since their only focus is to sell the room only. According to the entrepreneurs, ever since they started their businesses, marketing and promotional expenses have never been allocated. As for the result, the businesses depend highly on walk-in customers as well as word of mouths. Apparently, without any marketing tools, these chalets have been in the business for more than 15 years and are very well known in the area. The small budget chalets performance are varies, depends on location, product and facilities available on premise as well as marketing and promotion. The owners manage to earn between RM3000 to RM5000 per month after minus with the expenses. As suggested by Wood (2006), the small firms are likely to perform better if they use a variety of promotional methods, make use of quality tools, and use grants rather than family and friends for funding. The use of marketing planning and research and investment in training is unlikely to improve performance, although this may be only in the short term. For example, as recruitment difficulties were found to have a significant effect on performance then training may provide a longer-term solution to this problem. Marketing research and planning may also be a way to ensure that current levels of performance are maintained and improved so that older firms also perform successfully.

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