# **APPROVAL**

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sufficient	in	terms	of	scope	and	quality	of for	the	submission	Bachelor	of
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# ENTREPRENEURIAL COMPETENCIES AND SUSTAINABILITY OF HOMESTAY ENTREPRENEURSHIP IN MELAKA

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This report is submitted in fulfillment of the graduation requirements for the degree of Bachelor of Technopreneurship with Honours

Faculty of Technology Management and Technopreneurship
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**JUNE 2016** 

# **DECLARATION**

I declare that this thesis entitled "Entrepreneurial Competencies and the Sustainability of Homestay Entrepreneurship in Melaka" is the result of my own research except as cited in the references. The thesis has not been accepted for any degree and is not concurrently submitted in candidature of any other degree.

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# **DEDICATION**

I dedicate this to my family especially to my beloved father, Wong Choon Lian; and my brother, Wong Jing Hong. Without the support, assistance and motivation from them, I may not at the stage. Another special dedicated to my research supervisor Dr. Norain Binti Ismail for the advice, encouragement, support and patience given to me throughout this year. Thank you very much.

#### **ABSTRACT**

This research mainly focused on examining the relationship between entrepreneurial competencies towards the sustainability of homestay entrepreneurship in Melaka. Five independent variables of entrepreneurial competencies were tested to investigate the importance of each variable in determining entrepreneurs' sustainability in homestay business. The dependent variable, sustainability of homestay entrepreneurship were defined based on economic, social and environmental aspects. The research has been carried out by using quantitative method. There is a sum of 34 questions will be asked in the form of questionnaire. A total of 106 respondents have been randomly selected from the entrepreneurs from both the rural and also urban area located in Melaka. The results of this study was useful for homestay entrepreneurs, academic purposes, government's policy as well as entrepreneurs' development plan implementation. The result is useful for both government and private agencies in designing the most effective program for homestay entrepreneurs in tourism industry. In a nutshell, this research also serves as reference pertaining to studies involving entrepreneurs and homestay business.

*Keyword(s): Entrepreneurial competencies, entrepreneurs, sustainability, homestay* 

#### **ABSTRAK**

Kajian ini terutamanya memberi tumpuan kepada mengenalpasti hubungan antara kompetensi keusahawanan ke arah kemampanan homestay keusahawanan di Melaka. Lima pembolehubah bebas kompetensi keusahawanan telah diuji untuk menyiasat kepentingan setiap pembolehubah dalam menentukan kemampanan usahawan dalam perniagaan homestay. Pembolehubah bersandar. kemampanan keusahawanan telah ditakrifkan berdasarkan aspek ekonomi, sosial dan alam sekitar. Kajian ini dijalankan dengan menggunakan kaedah kuantitatif. Terdapat sejumlah 34 soalan telah ditanya dalam bentuk soal selidik. Seramai 106 responden dipilih secara rawak daripada usahawan dari kawasan bandar dan luar bandar yang terletak di sekeliling Melaka. Hasil kajian ini bermanfaat untuk usahawan homestay, tujuan akademik, dasar kerajaan serta pelaksanaan pelan pembangunan usahawan. Kajian ini juga dapat memberikan maklumat yang berguna kepada agensi-agensi swasta dalam mereka bentuk program yang paling berkesan untuk usahawan homestay dalam industri pelancongan kerajaan. Secara ringkasnya, kajian ini juga dijadikan sebagai rujukan yang berkaitan dengan kajian yang melibatkan usahawan dan perniagaan homestay.

Kata kunci (s): kompetensi keusahawanan, usahawan, kemampanan, homestay

#### ACKNOWLEDGEMENT

First and foremost, I would like to express my deepest gratitude to my dearest supervisor Dr. Norain Binti Ismail for the valuable guidance and advice throughout the research. I believe that I would not be able to accomplish my research if without her aid. She inspired me a lot in my research by giving motivation and contribution tremendously. Her willingness to spend her time in guiding me along these days has provided a good basis for this research.

Besides, never forget to thank to my beloved family members for their support and encouragement given to me from the beginning until the end of my research. I appreciated their loves and cares to me during the whole process. They understand and allow me to focus on my study.

Apart from that, I would like to thank to my friends and course mates who are willing to lend me their hand when I need them. For instance, we always help each other in the form of group discussion and sharing of information.

Last but not least, a sincere thanks to all the respondents involved who willing to spend their precious time to answer the questionnaire. I will not be able to complete my research if without their help. As a conclusion, endless thanks for everyone who has been with me along this special journey

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# **CHAPTER 1**

#### INTRODUCTION

# 1.1 Background

Undeniably, the tourism industry has contributed significantly towards Malaysia's economy since the inception of the National Transformation Program (NTP). The National Transformation Program (NTP) articulates proposals from the New Economic Model, which was directed by Prime Minister Dato' Sri Mohd Najib Tun Razak and being produced by the National Economic Advisory Council in 2010 in response to the 2008 and 2009 global financial crisis and its repercussions on the Malaysian economy.

Prime Minister Dato' Sri Najib Razak said the nation's tourism sector is now the sixth largest contributor among all the sectors in which contributing a total of RM 161 billion or 14.9 percent of the nation's gross domestic product (GDP) in 2014.

Homestay itself is a tourism product in which being introduced to give a chance to the tourist to stay with selected local family owner to experience their daily lifestyle and also learn their cultures. Government is now developing private sector and public-private partnership initiatives for community-based activities as well as homestay accommodations during the Tenth Malaysia Plan (2011- 2015). There are a total of 159 homestays that are located all over the country, in every state.

Basically, the homestay program in Malaysia can be traced back to the early 1970s at the then "drifter enclave" of Kampung Cherating Lama in Pahang, when a local lady by the name of Mak Long took in long staying "drifters" or hippies and provided breakfast, dinner and accommodation within her humble kampong house (Amran, 1997). Subsequently, small villages or otherwise known as "kampongs" followed a similar arrangement to gain the benefits of the influx of domestic and international tourists who are looking forward for an ultimate travel experience (Arif,

2015). At the beginning, most of the homestay program using another dimension with the arrival of Japanese Youths on exchange program.

Traced back into 1980s, Desa Murni Homestay, the first homestay program began in which consists of a total of five villages namely Desa Murni Perangap, Desa Murni Sanggang, Desa Murni Kerdau, Desa Murni Sonsang and Desa Murni Ketam. These locations are strategic because they are located about 15 minutes' drive from an east coast state in Malaysia, Temerloh, and Pahang. Throughout the hard work of all the villagers and communities to create a Homestay program and it provides a dramatic effect on the local economy in terms of financial benefits (Kalsom, 2007; 2009).

Besides, the current President of the Homestay Association of Malaysia, Tuan Haji Shariman, is the pioneer of such program that Japanese youths stay with adopted families and take part in communal activities related to the rural and often pastoral way of life. The core essence for the homestay program in Malaysia is that the tourists have to opportunity to stay together with host families or adopted families which make it different from the homestay elsewhere. Through this, the tourists will get the chances to experience, interact, and gain knowledge from the lifestyle and culture of the host family as well as the local community.

In the year of 2014, the national income derived from homestay was RM 349,873. Up to May this year, the homestay recorded an income of RM52,380, showing an increase of RM7,113 compared to the same period last year where the total income within the period was RM45,267. The income shows that with the homestay, the villagers were able to increase their income by becoming entrepreneurs in tourism-related business, homestay. The homestay program is expected to contribute to the national income worth RM 38 billion with 28 million tourist arrivals as envisioned by the ministry. Therefore, the Tourism and Culture Ministry is committed to realize the vision by doing many program and activities to promote homestay to the world and help those entrepreneurs in order to be sustainable for their homestay operation.

According to 2012, statistics released by the Ministry of Tourism Malaysia and the Melaka State Government, there are a total of more than 50 registered homestay operating in various locations in Melaka. Based on this number, the homestay program is expected to be developed as the State Government is committed to develop and promote tourism sectors. Statistics clearly shown that homestay program has a big

potential to become one of the major income contributor to the state of Melaka in the nearly future. Therefore, in order to ensure that this program will grow rapidly, homestay entrepreneurs have to intensify efforts to attract more tourists to come and visit in Melaka.

Therefore, entrepreneurship is considered a central force of economic development. This is due to it can generate growth and serves as a vehicle for innovation and change. Meanwhile, tourism is one of the economic sectors in which a great degree of involvement is needed by the entrepreneurial sector. As entrepreneurs will be the owner for homestay program, therefore the characteristics and competencies of an entrepreneur play a main role in the sustainability of homestay program.

Entrepreneurs have many different profiles. They come from a wide range of backgrounds and age groups, and have diverse experience and skill sets. Somehow, entrepreneurs are usually driven to become entrepreneurs by the prospect of building wealth, capitalizing on a business idea, owning their own company, and desiring to work and establish firm alone. However for those homestay entrepreneurs, the bonding between entrepreneurs and the sustainability of homestay can be motivated by the consideration that homestay entrepreneurs have the potential to possess positive impacts from a region's economic, socio-cultural and environment aspects (Mohamad et al., 2013).

As most of the homestay program in Melaka established in rural area, the development of small scale tourism entrepreneurship can contribute to the sustainable region development by strengthening the local culture and identity, by diversifying rural tourism activities and by keeping the rural population in the region and lastly minimizing the environmental aspects.

According to Baum and Locke (2001), "Entrepreneurs must also be willing to experiment different strategies in the pursuit of profitable outcome because it is the entrepreneur's energy, creativity and motivation that trigger the production of superior product and services." Therefore, entrepreneurship requires certain excellent skills for profitable functioning such as entrepreneurial competency. Hence, entrepreneurial competency thus become crucial for the homestay operation to make it more competitive in the globalized world.

Last but not least, Man, Lau and Chan (2008) explained that the entrepreneurial competencies as the "total ability of the entrepreneur to perform their role successfully and several studies have found positive relationship between existences of competencies and venture performance". Therefore, there are many available entrepreneur competencies in which we can explore in order to find out the relationship between the sustainability of homestay program in Melaka with those homestay entrepreneurs to see how they can be succeed in this research.

# 1.2 Problem Statement

Throughout the discovery in Melaka, it is sad to know that most of the homestay entrepreneurs misunderstood the real definition and meaning of a homestay. The actual meaning of the existence of a homestay should be focused on the introduction of the cultural activities in which the owner of the homestay allows the tourists including both foreigners and locals get the opportunity to visit rural villages and attractions as well as experiencing the hosts' and owners culture in their home (Arif, 2015). In return, the owners will be receiving the economic benefits in the form of monetary exchange from the products and services they provide.

However, from what has been revealed is that many of the entrepreneurs misuse the real significance of a homestay. A homestay is only existed because of the owner wishes to preserve their culture activities of a certain places by sharing with tourists, not just because of accommodation purposes. Nowadays, more and more homestay established just to fulfil the accommodation purposes without cultivate their specialty to the tourists. According to the statistic from Companies Commission of Malaysia dated on 17<sup>th</sup> March 2016, there is a total of 826 companies that registered under the name of "Homestay" however they did not perform as a real homestay. This is an erroneous action for misusing the real purposes of homestay. Therefore, the entrepreneurial competencies are used to build a real and sustainable homestay entrepreneurs.

Although many studies has been done on the success of homestay in Malaysia which only focuses on certain popular destinations despite there being many more

homestays in the list according to the records in the Ministry of Culture, Art and Tourism (MOCAT, 2011). Furthermore, it is found that many of the homestay program in Melaka are still facing many challenges and obstacles in which have not been resolve yet.

These consequences can be resulted from due to most of the operators for the homestay were not coming from entrepreneurial family. This will lead to the lacking of professional knowledge and skills that required in managing a homestay program. For instance, would the characteristics, personalities, behaviors or even styles of the homestay entrepreneurs guarantee the success of the homestay? Does the operator contribute to the success of the running a Homestay business if without the entrepreneurial competencies. Unfortunately, until now there is no clear evidence that the Homestay program in Malaysia has been consistent success if without the competencies of entrepreneurs. However, there were studies being done to prove that homestay entrepreneurs with competencies is much better in managing their business (Mohamad et al., 2013)

Therefore, in this research, the entrepreneurial competencies will be discussed among the homestay entrepreneurs in order to ensure the sustainability of the particular homestay. What is the special characteristic should be possess by the homestay entrepreneurs in order for them to be different with the other entrepreneurs. Since many of the homestay owners do not have the traits of entrepreneurs due to the lacking of professional education being learnt, it is very crucial for this research to be carried out.

Lastly, there will be a total of five entrepreneurial competencies being discussed in this research to examine to depth of the importance of each variable in determining entrepreneurs' sustainability, as the dependent variable in which will be defined based on economic, social and environmental aspects.

#### 1.3 **Research Objectives**

Based on the research questions, there are seven objectives have been determined to be studied, which are:

- 1. To identify the important competencies needed for a successful homestay entrepreneurs.
- 2. To examine the relationship of entrepreneurial competencies towards sustainability of homestay entrepreneurship in tourism.
- 3. To determine the sustainability of homestay program based on economic, social and environmental aspects.

#### 1.4 **Research Question**

This research aims to answer the following research questions:

- 1. What are the important competencies needed for a successful homestay entrepreneurs?
- 2. What is the relationship of recognizing competency towards sustainability of homestay entrepreneurship in tourism?
- 3. How is the sustainability of homestay program based on economic, social and environmental aspects?

# 1.5 Scope, Limitation and Key Assumption of the Study

In this research, the scope of the study is only focused on the homestays available in the state of Melaka. This is due to the target group of the research is in Melaka. The limitation of this research will be the geographical scope as it can be done only in Melaka. Meanwhile, it is assumed that some of the entrepreneurs may not complete the survey properly in which will affect the results obtained.

# 1.6 Summary

Throughout the whole chapter one, there are mainly focuses on four parts including background, problem statement, and research objective and research question. In the background, the history of the homestay program being introduced and the concept as well. Since this research is mainly focus in the state of Melaka, the statistic will only records depend on what is happening in Melaka. It is found that from previous research, homestay entrepreneurs in Melaka still facing obstacles in the journey of succeed. Problem has been detected that is most of the homestay entrepreneurs are lacking of entrepreneurial competencies in managing their business. Therefore, in this research, the entrepreneurial competencies will be discussed among the homestay entrepreneurs in order to ensure the sustainability of the particular homestay. Hence, the main objective to find out the relationship between the sustainability of homestay program in Melaka with those homestay entrepreneurs to see how they can be succeed.

# **CHAPTER 2**

# LITERATURE REVIEW

# 2.1 Introduction

As what mentioned in the chapter one, entrepreneurial competencies play a crucial role in helping the homestay entrepreneurs to sustain in the tourism industry. Entrepreneurial competencies are considered as a higher-level characteristic including traits, behavior, skills and knowledge, personal attitudes and therefore can be seen as the total potential and ability of an entrepreneur to perform a task or job successfully. Besides, competency is a fairly deep and enduring part of a person's personality and behavior in a wide range of job tasks and circumstances.

In addition, great attention has been given to competence-based education which is currently booming in several countries. In the field of recruiting and selecting new employees, the concept of competence has mainly been applied in the world of business. It is the same for a homestay entrepreneur to possess the competencies in order to survive in the new business of the marketplace. Therefore, it is important for the research to be carried out to identify which competency is compatible with the homestay entrepreneurs and eventually lead them into succeed.

In this chapter, the research will focus more into several special competencies in which a homestay entrepreneur should have in order to sustain in the market. Furthermore, in this literature review section, all of the keywords will be discussed including entrepreneur, entrepreneurial competencies, sustainability of homestay and so forth.

# 2.2 Entrepreneur

Entrepreneur is a person who organizes and operates a business or businesses, taking on greater than normal financial risks in order to do so which is the general definition that being used in most research. The word "entrepreneur" carried lots of meaning inside. This word originally come from the word "entreprendre", which means 'to do something, and in the Middle era it was originally used in the sense of a "person" who is active, who gets things done. (Kaur and Bains, 2013). It can be divided into two parts, "entre", meaning "between", and "preneur" meaning "taker". Literally, an entre-preneur is a "between-taker", or "go between".

Back to history, the word "entrepreneur" first appeared literally in 1253, when it was being used in different forms (e.g. "empreneur"). It appears to have taken on its present, definitive spelling in 1433 (Rey, 1994:700). We know it was used commonly in the 1500s and 1600s. For instance, Champlain, speaking of his first voyage to explore the St. Lawrence River in 1603, wrote that he had been invited to make the trip "to see the country and what entrepreneurs would do there" (Champlain, 1632, in Giguère II: 702, free translation from the French).

Undeniably, plenty of meaning and definitions is available for the term "Entreprenuer". In 1755, the first philosopher, Richard Cantillonwas use this term in his journal on "The Nature of Commerce". According to his theory, an entrepreneur was the one who buys factor services at certain prices in order to combine them to produce a product and retail it at uncertain prices at the moment in which he commits himself to his costs in the market.

Hélène Vérin (1982) wrote a doctoral thesis in literature in which she discusses the shades of meaning of the terms "entrepreneur" and "enterprise" through history. She notes that the ancestor of the term "enterprise" – "emprise" (from the Latin imprisia) which referred to something bold, firm and daring (Vérin, 1982: 31-33). She also examined variations in meaning over the centuries, and especially between the 13th and 18th centuries. The current meaning that also refers to an enterprise leader first appeared in the early 19th century (Rey, 1994: 700).