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## Dive Tourism and the Entrepreneurial Process in the Perhentian Islands, Malaysia.

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### **INTRODUCTION.**

Dive tourism is a high growth, niche sector for Small Island Developing States (SIDS) and countries with long coastlines and is propelled predominantly by local entrepreneurs and small businesses. This chapter examines dive tourism in a small Malaysian island, particularly factors influencing the entrepreneurial process.

Tourism is typically dominated by small or medium sized enterprises and creates many opportunities for entrepreneurial development and employment both directly (e.g. craftwork, retail units) and indirectly (agricultural producers) linked to tourism (Hampton and Jeyacheya, 2013). Although in principle there are many opportunities for entrepreneurs, the reality for many local communities is less clear because factors crucial for entrepreneurial success (loans, access to supply chains, skills training) are not readily available, accessible, or sometimes, unnecessary for business operations (Jaafar et al., 2011). In the context of the scuba diving industry, Dimmock et al. (2013:165) proposed four key components crucial for its survival (equipment, education, experience and environment), and thus the survival of the dive tourism sector. However, the reality for some communities in less developed countries (LDCs) is somewhat different.

Despite these obstacles, tourism entrepreneurs contribute significantly to tourism development (Ryan et al., 2012) in many coastal and island destinations, including Malaysia. This suggests that the entrepreneurial process is influenced by a range of variables including social, cultural, political, geographical and historical (Bygrave, 2004; Dana et al., 2014; Ariff and Abubakar, 2005).

Malaysia hosts a sizeable tourism industry with 27.4 million international arrivals in 2014 (UN WTO, 2015) and tourism contributed around 6% of GDP and directly employed

5.3% of the labour force (WTTC, 2015). The Ministry of Tourism and Culture views dive tourism as requiring minimal investment in comparison to resorts and other watersports, having high growth rates, being lucrative, high yield, and with a broadly sustainable market (Basiron, 1994; Tourism Malaysia, 2009). As a result, dive training programmes have been promoted by the federal government since the 1990s to encourage local Malays (*Bumiputra*) to enter the industry (Basiron, 1994). This additional government support was part of a broader remit to encourage entrepreneurship, particularly for the *Bumiputra*, through increased funding, business advisory services and higher education.

This chapter examines the dive tourism entrepreneurial process in the Perhentian islands - one of Malaysia's most significant dive locations located about 20 kilometers off the east coast of the peninsula (Figure 1). We explore the question of *how* the tourism entrepreneurial process transforms (or not) as the destination moves to a strategically competitive one, using a holistic interpretation of the critical factors influencing change.

## **THE ENTREPRENEURIAL PROCESS IN TOURISM**

Entrepreneurship has become a complex, widely applied concept within different research disciplines and is defined within the social and cultural norms of a given society (Gartner, 1990; Ariff and Abubakar, 2005). Of the many existing definitions, the individual is more often studied than the *process* itself (Gartner, 1988; Morrison et al., 1999).

Tourism entrepreneurship has been broadly defined by a range of factors related to individuals' motivation, economic status, background, social circumstances, personality characteristics and traits (Morrison, 2006; Jaafar et al., 2011). Research examines a variety of personal, sociological and environmental factors associated with individual entrepreneurs and this suggests significant heterogeneity (Bjerke, 2000) between different tourism sectors (Koh and Hatten, 2002). Heterogeneity is also observed between local and in-migrant entrepreneurs (Dana et al. 2014) and between developed countries and LDCs. Thus, personal attributes typically associated with entrepreneurs such as risk-taking, independence, innovation, self-confidence, a need for achievement (Jaafar et al., 2011:829; Lee et al., 2011) and being proactive (Morris and Lewis, 1991:23) are not commonly recognised in tourism entrepreneurs, particularly those operating small-scale firms. Tourism entrepreneurs are generally driven by lifestyle factors not profit; have a tendency to 'stay within the fence' by 'consciously reject[ing] certain economic and business growth opportunities' (Ateljevic and Doorne, 2000) and business advice from others (Hollick and Braun, 2005). Similarly, LDC tourism entrepreneurs appear less inclined towards profit maximisation (Ahmed, 2014;

DeBerry-Spence and Elliot, 2012), are less likely to participate in ‘risk-laden activities’ (Jaafar et al., 2011), and limit creativity and innovation (Kodithuwakku and Rosa 2002).

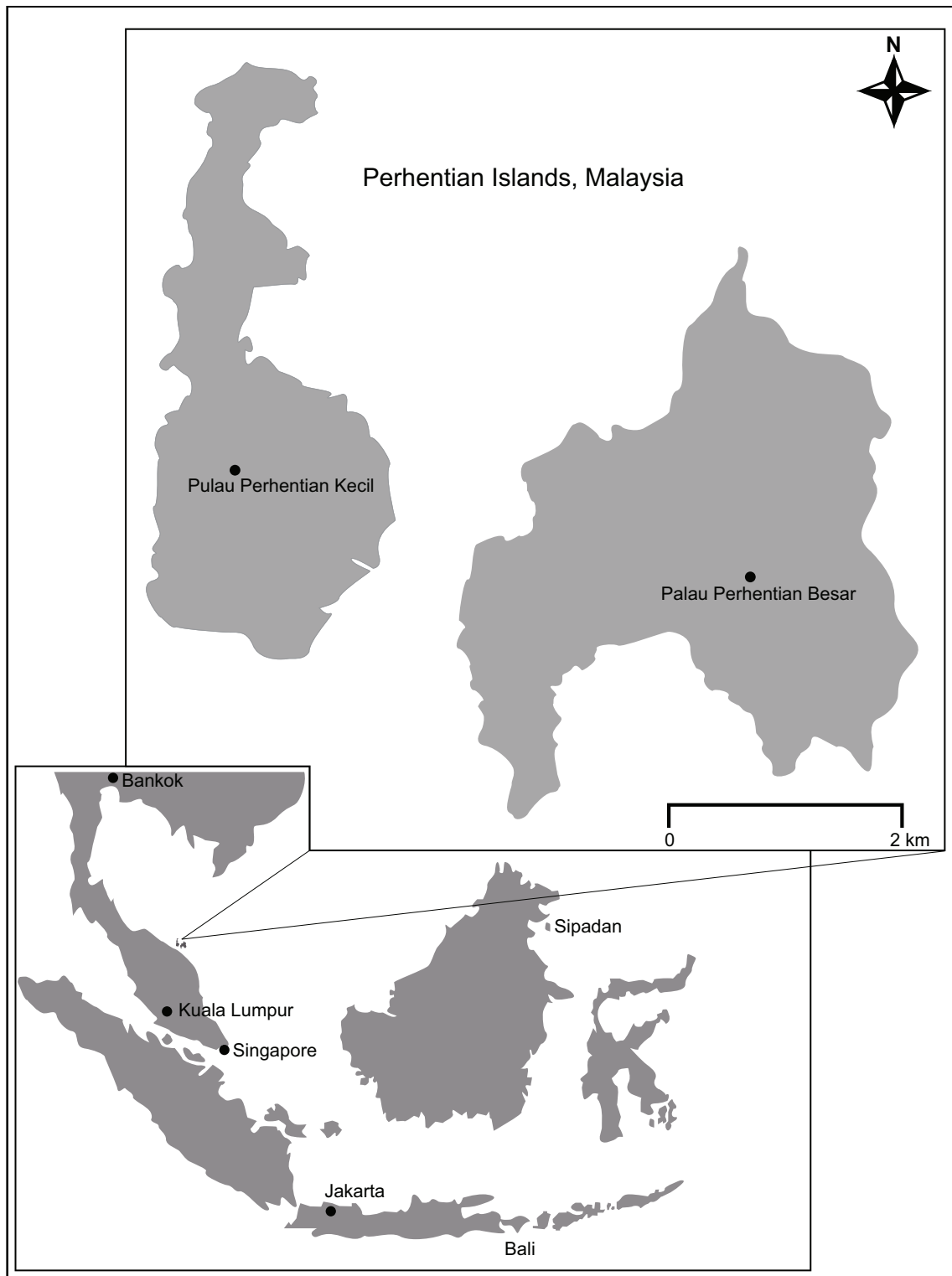


FIGURE 1: MAP OF PERHENTIAN ISLANDS

This brief list broadly categorises the tourism entrepreneur as a ‘lifestyle entrepreneur’ who pursues a ‘desired lifestyle. . .with little / no intention of growing their enterprises’ (Koh and Hatten, 2002:36) and who seemingly take little risk. However, given the geographical range of much research and the diversity of socio-economic groups, other factors embedded from the norms and circumstances of individual societies shape entrepreneurs’ decisions and therefore the entrepreneurial process (DeBerry-Spence and Elliot, 2012: 1672). Also, common perceptions of tourism being an industry with low entry barriers where few skills are required and limited training is available (Hollick and Braun, 2005) may partially answer why it appears to attract a predominantly ‘lifestyle’-led approach. This has led to the dominance of small and medium sized tourism enterprises with many being linked to the informal sector (Jaafar et al. 2011; Scheyvens, 2006; Mograbi and Rogerson, 2007) and in some cases, choose to imitate rather than innovate (Koh and Hatten, 2002).

Nonetheless, tourism entrepreneurs are critical to the sustainable socio-economic development of their community (Morris and Lewis, 1991). Timmons (199) contends they are adaptive and flexible to change, and such dynamism stimulates community involvement in tourism. McKercher (1999:433) goes further, dubbing tourism entrepreneurs ‘rogues or chaos makers’ with the ability to ‘single-handedly transform an organisation, destination or region or country.’

Tourism entrepreneurs have the capacity to instigate and sustain entrepreneurial activity (and thus the process) within their communities, raising the fundamental question of *how* this is achieved. Although much research examines the entrepreneurial process, the models are somewhat fragmentary and the process is conceptualised from inconsistent theoretical perspectives creating a knowledge gap of the practical implications.

This chapter does not develop a process model, but explores the question of *how* the tourism entrepreneurial process transforms (or not) in the Perhentian islands as an example of a small tourism-dependent island economy. It takes a holistic approach by considering the personal (characteristics, traits and socio-economic factors), environmental (business opportunities, resources and threats) and sociological factors (cultural norms, social networks, family) to understand how they interact with each other, with each stage of the process, and what the practical implications are. In our chapter, the process stages are assumed to be dynamic and influenced by past and present ‘human volition’ (Bygrave, 1993), and they follow a distinct path including the discovery of opportunity and / or the innovation of an idea, a triggering event, the implementation of the business, and its growth.

## **DIVE TOURISM: THE LITERATURE.**

Within international tourism, dive tourism is a fast growing segment but little robust data exists concerning its size. PADI (Professional Association of Diving Instructors) – the largest certifying agency – estimates 3-6 million divers worldwide whereas safety organisation DAN (Divers Alert Network) quotes (from accident reports) 1-3 million divers worldwide but gives a lower estimate of ‘active divers’ (more than 5 dives per year) of round 1- 1.4 million (Davison, 2007). Regarding initial training and other qualifications, PADI certified 936,149 divers worldwide in 2013, bringing the cumulative total of divers to 22.2 million (1967-2013) (PADI, 2014). Also, no international agreed definition exists but it has been usefully (but broadly) defined by Tourism Queensland (2003: 1) as ‘travel where at least one scuba diving expedition is included.’ Nevertheless, for host regions dive tourists are an important market segment as they are typically from higher socio-economic groups and are high spend visitors (Garrod and Gossling, 2008). Unsurprisingly, dive tourism is seen as a key growth sector by tourism planners in many LDCs such as Jamaica, the Maldives etc. (Commonwealth Secretariat, 2002; Maldives Ministry of Tourism, Art and Culture, 2012). Many LDCs, especially SIDS or those with long coastlines, already prioritise marine tourism (including so-called ‘3S’ tourism: sun, sea and sand) so that dive tourism appears a logical development utilising marine resources to further grow income and employment.

Most of the dive tourism literature originates from the physical sciences and concentrates on environmental aspects, divers’ biophysical impacts and reef conservation (e.g. Clifton, 2004; and Worachananant et al., 2008). In the social sciences there is a small, but growing literature on dive tourism. Research examined diver characteristics and motivations (Musa, 2002; 2003; Edney, 2012); diver typologies and behaviours (Garrod, 2008; Ong and Musa, 2011); the scuba diving tourism system (Dimmock and Musa, 2015); social and economic impacts of dive tourism (in Honduras - Canty, 2007; South Africa - Mograbi and Rogerson, 2007; Malaysia - Daldeniz and Hampton, 2013; Indonesia – Davis, 2005; Klimmek, 2013); stakeholders and sustainability (Haddock-Fraser and Hampton, 2012) and dive tourism using resilience theory (Hillmer-Pegram, 2013; and Klint, 2013).

A major collection edited by Musa and Dimmock (2013) published research on consumer behaviour, market segmentation and site/diver management and the environmental impacts of divers but overall, dive firm operations have been little studied. Dimmock (2004) and Dimmock et al., (2013) are the major exceptions. Dimmock (2004) found that managers typically had to balance (often competing) roles, and the industry’s structure and the rising demand for mass participation in diving resulted in intense price competition between firms.

Furthermore, Townsend (2008) observed that the high capital requirements for specialist equipment (diving gear, air tanks, compressors, dive boats) was highly restrictive for dive businesses. This is significant because dive operations have predominantly been small and medium-sized businesses with often more limited access to capital than larger firms. Dimmock et al. (2013) suggest that the key components of the dive industry can be categorised as the ‘four Es’ - equipment, education, experience and environment – and each service is ‘mutually dependent on the health of each’.

Dive operations vary worldwide in scale and scope (Lew, 2013; Dimmock and Musa, 2015) with significant differences between large-scale operators such as those in the Caribbean or Red Sea, and smaller business which may be co-located in resort areas. In other regions such as South-East Asia and the Pacific islands, whilst there are larger operators, smaller owner-operator dive businesses predominate. In some latter cases there appear to be elements of ‘lifestyle entrepreneurship’ (Ateljevic and Doorne, 2000) with some smaller dive tourism operators taking a ‘hobbyist’ approach to business rather than the more conventional profit-maximising, cost-minimising business operation of larger firms. However, Dimmock et al. (2013) argue that there is an industry trend of a continuing ‘transition’ from lifestyle entrepreneurs to more professionally managed operations and a ‘new breed’ of managers required to balance different demands such as creating a safety culture with environmental responsibility whilst managing to generate sufficient profits.

### **DIVE TOURISM IN THE PERHENTIAN ISLANDS.**

Both main Perhentian islands host tourism although Perhentian Kecil (‘small Perhentian’ island) mainly attracts low budget international tourists and growing numbers of domestic/regional tourists (who are often non-divers). Perhentian Besar (‘big Perhentian’) on the other hand has an increasing number of mid-range hotels. The main customers are international backpackers / budget tourists but some dive operators host domestic tourist groups often associated with dive shops from cities such as Kuala Lumpur (Table 1).

Dive tourism in the Perhentians comprises mainly basic dive training (PADI Open Water Diver certification), some further training (Advanced Open Water Diver certification) and guided ‘fun dives’ to reefs and nearby shipwrecks. The islands’ underwater topography is mainly shallow reefs (typically a maximum depth of 20 metres) providing easy, safe and sheltered conditions ideal for diver training. The islands have the largest number of PADI Open Water certifications in Malaysia (according to dive industry sources) and the tourist season is broadly May-September, coinciding with summer holidays in key European

markets. At other times the islands have few tourists due to monsoon rains and rough seas. The accommodation and restaurant offer is geared towards budget travellers and domestic/regional tourists with simple accommodation such as wooden chalets and beach cafes (Jaafar and Maideen, 2012). Dive operations consist of small dive operators who are mainly independent from the accommodation businesses, but there is evidence of networking with some offering discounted packages to chalet owners. The islands have been predominantly settled by Malays from the peninsula with a resident population of around 1,500 mainly living in the *kampung* (village) at the south of Perhentian Kecil, some distance from the main beaches. Malays originally from the mainland comprise the main business owners but there is also some Chinese-Malaysian ownership (Hamzah and Hampton, 2013).

Table 1. Dive Operators' Key Business Areas in the Perhentians.

<i>Generating Business Area</i>	
<b>Revenue type:</b>	<b>Main markets:</b>
Diver education	Backpackers (& some domestic tourists)
Guided leisure dives	Backpackers (few domestic tourists)
Equipment rental	Backpackers, domestic tourists

After Dimmock, 2004: 77.

## **METHODOLOGY.**

### *The Approach*

This chapter draws from a two year funded study of the socio-economic impacts of dive tourism in Malaysia (see also Daldeniz and Hampton, 2013; Haddock-Fraser and Hampton, 2012). A broadly qualitative approach was used, adapted from rapid rural appraisal (RRA). RRA is an established fieldwork technique common to international development projects. In our case, fieldwork mainly comprised a series of semi-structured, in-depth interviews with key island stakeholders. An RRA type approach was the most appropriate since budget constraints meant that an extended fieldwork period of several months was unfeasible so that two short, highly focussed visits could still generate sufficient data. Businesses were approached and once contact was made, other key respondents were found using 'snowball'



sampling. They included dive shop staff and owners, dive professionals (instructors and divemasters – dive guides), other local tourism businesses (accommodation, catering, souvenir shops), tourists, villagers and local community leaders as well as Malaysian and international NGOs (Table 2). In addition to the semi-structured interviews, we also undertook participant observation. Four researchers (including one author) were qualified scuba divers themselves so that participant observation was possible both onshore at the dive businesses before/after dive trips, as well as on dive boats and underwater. Detailed notes were taken and fed into the nightly team meetings. In addition digital mapping and photography were carried out to record tourism infrastructure.

Table 2: Summary of Respondents

<b>Malaysian Nationals</b>			
<i>Number of Respondents / Job</i>	<i>Origin</i>	<i>Gender</i>	<i>Average Age</i>
N= 9 Dive centre owner / manager	Perhentian, Kota Bahru, Kuala Lumpur, Sabah.	N= 2 female N= 7 male	48 years
N= 4 Snorkel centre	Perhentian, Terengganu.	N= 4 male	26 years
N = 4 Dive instructors	Perhentian, Kuala Besut.	N= 4 male	33 years
N = 1 Dive master	Taman Negara.	N= 1 male	40 years
N = 3 Compressor operator	Perhentian, Terengganu, Kota Bahru.	N= 3 male	23 years
N = 3 Boatman	Perhentian, Malacca	N= 3 male	28 years
N = 5 Accommodation owner / manager	Perhentian (guest house) Kelantan, Kuala Lumpur (chalets)	N= 2 female N= 3 male	43 years
N= 4 Shop owners [general store, travel agency, internet shop]	Perhentian, Kuala Lumpur, Kuala Besut.	N= 2 female N= 2 male	42 years

<b>Foreign Respondents</b>			
<i>Number of Respondents / Job</i>	<i>Origin</i>	<i>Gender</i>	<i>Average Age</i>
N= 1 Dive centre owner	Sweden.	N= 1 male	35 years
N= 22 Dive instructors	UK, Canada, USA, Hong Kong, Germany, Sweden, Switzerland, Netherlands.	N= 8 female N= 14 male	31 years
N = 4 Divemaster & Divemaster trainees	UK, Sweden, Denmark.	N= 3 female N= 1 male	23 years
N = 2 Shop owners (jewellery)	Spain, Sweden.	N= 2 female	28 years
N = 14 Tourists (divers and non-divers)	UK, Sweden, Peru, Germany, Spain, USA, Canada, France, Netherlands, Malaysia.	N= 5 female N= 9 male	29 years
<b><i>Total Respondents Interviewed: N= 76</i></b>			

The concept underpinning fieldwork was to ‘listen to local voices’ (Chambers, 1997). The research team consisted of Malaysian and British academics, and research assistants from both countries. This had two main advantages. First, several team members had prior research experience of the island, what Pagdin (1989) calls ‘pre-knowledge’. Second, a team comprising both UK and Malaysian nationals allowed interviews to be undertaken either in English or *Bahasa Malaysia*. A total of n=76 semi-structured interviews were completed in the Perhentians with average duration of 45 minutes. For this chapter n=62 interviews were analysed as they represented tourism entrepreneurs as either owners, managers or dive instructors/divemasters. The remaining n=14 were tourists and conservation workers not engaged in tourism or dive tourism businesses and therefore excluded.

#### *Data Collection and Analysis.*

Project design enabled two fieldwork rounds (‘shoulder’ and peak season). Interviews were recorded in field notebooks, typed up, coded and transcripts analysed using NVivo software. The material was coded to differentiate respondents by their personal attributes (nationality, age, gender), business operations (type, size) and personal experience of working in dive tourism. This facilitated sorting using NVivo. Interviews were initially analysed by the

British researchers and results then discussed with our Malaysian colleagues. Concerning reducing researcher bias, this had two aspects. First, for the fieldwork, the interview protocol was designed, and then revised by the lead academics (Malaysian and British) so that questions were structured to not ‘lead’ respondents to answer in certain predetermined ways and that answers could be ‘triangulated’ between different respondents. This gave our research team confidence in the interview material generated. Second, at the coding stage, the coding was agreed by the lead academics giving confidence that researcher bias could be minimised given that it is very difficult – perhaps almost impossible - to eliminate bias completely. One experienced researcher was allocated the task of data analysis using NVivo, but with discussion with team colleagues before and after the analysis stage.

## **DISCUSSION**

In the 1990s Perhentian dive businesses were owned and operated by small family units as an additional income source alongside traditional livelihoods. Often these micro-enterprises were established to meet demand from backpackers for a ‘room to rent’ and meals during their island stay (Hamzah, 1997). The relatively small groups of backpackers provided little incentive for business owners to strategically position themselves in competition with one another. However by the late 2000s this had changed with a decline in seasonal entrepreneurs. The main business operations observed during fieldwork were going through stages of adapting to a highly competitive environment with high volume, low cost markets (specifically, Open Water dive training) of not only international, but also, domestic tourists. Increasing tourist numbers, as well as the diversity in tourist types, presented entrepreneurs with a very different operating environment. Yet, despite increasing price competition among island businesses serving both dive and beach tourists, there was a lack of product innovation and differentiation, with most operators imitating rather than innovating. Furthermore, the government drive to support innovation in tourism and raise the opportunities for ‘local communities and small entrepreneurs’ in the Ninth Malaysia Plan (2006-2010) appeared to make little difference in the island.

### *Personal factors*

The reasons given by the majority of respondents (not born in the Perhentians) for establishing a business in the islands was due to the relatively undeveloped tourist infrastructure and excellent diving conditions. Most were knowledgeable about neighbouring dive destinations in Malaysia and Thailand and often highly critical of the large-scale, luxury

operations there, preferring the quiet, relaxed environment of the islands and the low volume, backpacker market.

The principal motivation for non-islanders was ‘lifestyle’ as the islands offered a way of life that typically contradicted their former city lives: *‘Actually it could have been anything, any business. I love this island. I came here three years ago. This is the place I want to be’* (male, internet shop owner from Kuala Lumpur); and in Europe: *‘It’s relaxed and not all about profit. It’s not all about money and stress.’* (male, trainee divemaster from Denmark).

For island residents, the motivation to participate in tourism was different and focused on improving their quality of life and that of their families: *‘We used to have a hard living and now it is much easier compared to those days. Earlier it was hard to get a job but now I am earning by running this shop.’* (male, general store owner from Perhentian). For the younger generations who ran snorkelling and boat trips or worked as shop assistants or waiting staff (Table 2), the opportunity to become independent from the family but remain close to their home *kampung* was a strong motivator.

Aside from motivation, other personal factors were present and influencing the early stages of the entrepreneurial process. Typically, capital to start up and sustain business was from personal savings, family members or other dive and non-dive related businesses in the Perhentians or major cities. However, there were significant differences in the scale of business operations between local entrepreneurs and those from elsewhere. For example, those originating from Malaysian cities were typically better educated (degree level) than local people with prior experience in business ownership, and with access to capital. The high capital requirements (e.g. specialist dive equipment and boats) normally associated with dive tourism had not been observed in the Perhentians until more recently, and specifically among the *Bumiputra* from the islands and Chinese-Malaysian or Indian-Malaysian from Kuala Lumpur setting up dive shops: *‘This business [dive shop] was my birthday present. My boyfriend’s father owns the chalets. We ordered the equipment and then we buy a new 150hp boat.’* (female, dive shop owner from Sabah). The remaining non-islanders were less fortunate and the opportunity to invest time and money in establishing a dive tourism business was influenced by dive tourism’s seasonal nature in the islands. For example, a second income or business supported individuals during the monsoon season providing income until the next season. This seemed to be particularly prevalent with instructors and divemasters who either returned to the city: *‘I still have a job in KL [Kuala Lumpur] as technician. Off-season - set up, repair and prepare for next season’* (male, instructor from

KL), or gained employment with dive centres elsewhere in Malaysia or Thailand. There were fewer dive instructors and divemasters from Malaysia however because the PADI qualification is cost prohibitive and limited to those with good English. It was explained that there are '*No PADI materials in Bahasa Malay*' (male, dive instructor from the UK) thus most support staff such as boatmen, local compressor operators and waiters were local people from the region, although not the Perhentians specifically. During monsoon season these non-islanders either returned to their *kampungs*, took up fishing locally or sought tourist-related work in Langkawi, while most from the island stayed to repair chalets or boats, to provide security for dive shops closed for the season, or to take up fishing. However, the income earned from these jobs was usually less - and in some cases half - of the earnings made from dive tourism.

Our findings show after nuanced analysis that personal factors influenced the dive tourism entrepreneurial process considerably, and determined the nature and pace of development. There was a clear distinction between those wishing to improve their quality of life and reduce precarity (the islanders), and those pursuing a 'lifestyle' opportunity that was inherently linked to respondents' origin, ethnicity and financial capital.

### *Sociological factors*

The entrepreneurial process was deeply embedded in the family and social network and observed with most Malaysian respondents regardless of their business operations or personal circumstances. However, there were distinct differences in how the process evolved over time when comparing local dive tourism entrepreneurs with other Malaysians.

The initial stages of creation and innovation for local entrepreneurs were influenced by their social network and the social and cultural norms of a fishing community, not by any desire to be competitive, to profit from the business or grow the business. '*We are from this island. We have been operating for over 20 years and we started since 1990. [We] follow other landowners who start their business with small chalets. During the tourist season we operate the chalets and during the monsoon I will go back to the village. . . We are fisherman at the village.*' (female, accommodation owner from Perhentian).

Local, multiple business owners had strong family networks where all members (across many generations) had some experience in tourism as a worker or business owner / manager. Stages of setting up a new business were interwoven with maintaining the family unit and maximising existing equipment and manpower, rather than expanding their business' capacity to compete with larger operators: '*This is my family business [restaurant]*

*and I am helping them [siblings] to run the [other] businesses...we are focus on the restaurant business and at the same time we also provide the water taxi services. We start to do snorkelling trip using our existing boat'* (male, boatman from Perhentian). This suggests that dive tourism in the Perhentians remains low-cost for local business owners who continue to serve a predominantly international, budget market. Furthermore, the motivation to improve 'quality of life' and reduce precarity with local business owners extends beyond the self to the whole family unit. Thus, the choice to diversify rather than grow operations is a strategy that ensures all family members can improve their quality of life.

Although the family unit was equally important to other Malaysian respondents originating from cities, they also displayed characteristics more associated with the 'western entrepreneur' to innovate and to profit from that innovation: *'We opened this year. It's our first year. It's a family business. I'm looking into tourism line. Looks like a lot of profit. We want to fulfil the need. Our customers request diving and snorkelling.'* (male, dive shop manager, Kota Bahru). In this particular case the respondent's aunt and uncle were qualified dive instructors and the business' expansion provided job security for remaining family members. There were few respondents in this category who had followed friends but rather experienced the islands as a tourist or gained knowledge through dive tourism networks in Kuala Lumpur, for example. This was also noted with dive professionals from other Asian countries: *'Come here with working visa. I used to come with family, for holiday. Many times. They know this place.'* [male, dive instructor, Hong Kong).

A similar route was taken by international respondents, and mainly Europeans; however without the family unit close by there was an observable camaraderie among them that seemed to fill this void. The small, close network of predominantly dive professionals were very mobile (moving to other locations during the monsoon season) but also highly connected (via social media, previous work connections), therefore it was not uncommon to 'follow a friend' to another dive destination to freelance. Although the decision to move during monsoon season was financially motivated, the overriding factor was to maintain a lifestyle of diving in great conditions 'among friends' (the diving community).

The prevalence for local businesses to follow their peers and imitate business models was similarly observed with younger generations from the region who engaged in low-skilled operations (compressor operator, boat operator, shop assistant) and typically *'followed a friend'* (male, local, compressor operator) to learn the trade. These individuals had limited business experience and fewer qualifications than Malaysians from large cities, and they relied upon their friends and / or family to learn skills in different aspects of the dive tourism

business. This was not to gain employment with one of the established island businesses however, but to become freelance operators in their own right. This approach was taken by most young regional entrepreneurs as it gave them autonomy to balance work commitments in the Perhentians and family obligations in neighbouring islands or regions.

The entrepreneurial process in all cases was strongly influenced by a close bond between family members or the diving community, and there was an inherent desire to maintain this equally with the business or businesses. Thus, despite a transitioning tourism economy on the island and increasing competition, the existing social networks and cultural norms were resilient and able to resist change. What is more interesting is how different groups of owners resisted the change. Those motivated by improving ‘quality of life’ were more creative and versatile with their resources and manpower, preferring to diversify services for outsourcing to dive shops owned by Malaysian nationals. They, in turn, were motivated by ‘lifestyle’ factors, preferring to run well-equipped but small, profitable operations to compliment the family network and ambitions. Although financial capital did not particularly constrain this group, there was no explicit drive to change the business to the high-cost model observed in larger dive destinations elsewhere.

### *Environmental factors*

There was a combination of internal and external environmental factors that influenced how the entrepreneurial process evolved over time. First, local owners cited difficulty in accessing bank loans for business start-ups, or formal business support: *‘there is no encouragement from government’* (male, dive shop owner from the Perhentians). Thus, many entrepreneurs had invested personal or family funds into the business and adapted existing equipment (such as fishing boats), skills and knowledge for dive tourism purposes. The trend to use personal savings was also observed among Malaysian nationals who had extended business networks (often in major cities) and past business experience. Unlike local owners, financial capital was not an observable challenge for Malaysian owners who could invest in new equipment for their businesses, and who could potentially access bank loans given their family and business ties in cities. However, there was no desire to expand business beyond the means of the family and the lifestyle from running a small business.

The lack of formal support and the informal business environment in the Perhentians helps explain why expertise, equipment and manpower was often shared between dive tourism businesses and why competition was viewed as ‘friendly’, in spite of price cutting by

some: *'Everyone gets on well with each other. It's a healthy camaraderie. There is a little bit of a price difference, but it's not significant.'* (male, dive instructor from the UK).

A second external environmental factor was the impact of rising fuel prices on daily business operations, which presented significant challenges for businesses to maintain consistency with increasing operational costs. Dive shops for example, promoted particular dives that required less fuel for dive boats – *'we try to have fun dives nearby, make it a higher priority.'* (male, dive instructor from Canada), and were able to maintain business as usual. Alternatively, accommodation owners were unable to maintain the same standard of service without increasing costs, and so rationed electricity usage to co-ordinate with their guests' movements - air conditioning and internet access (if provided) was restricted to evenings and mornings for example, when demand was greatest. Those operating both accommodation and a dive shop divided the supply to meet demand: *'the dive shop have it [electricity] during the daytime because they need to watch videos regarding diving and to compress [air for] the tank'* (female, dive shop owner from Perhentian). At night, the generator was switched to supply the accommodation and restaurant businesses. Despite the challenges, island businesses were sufficiently resilient to maintain business operations and customer satisfaction.

The development of a large new jetty was the third factor that influenced the entrepreneurial process because it triggered action to either diversify or re-evaluate their business direction. Unlike the external factors (accessing bank loans or managing rising fuel costs), the disruption from the jetty was significant, interrupting their business operations in several ways. First, the completed structure obstructs views of the sunset - a key selling point for many accommodation and restaurant businesses – which cannot be resolved through any business strategy given the jetty's permanence. Second, water taxi operators lost business and some had to abandon the enterprise to seek alternative business ventures with their boats: snorkelling tours or outsourcing for dive centres were the preferred options. For other local and regional boat operators however, business ownership was abandoned altogether by selling their boat, returning to fishing, waiting on tables in restaurants or leaving the island for better opportunities. Third, the multiple family businesses in contrast, had sufficient support to quickly utilise the boats within existing dive operations or add snorkelling tours as a new service. However the decline in water taxi and freelance boat operators was a challenge for smaller businesses who relied on outsourcing services. The physically dominant, oversized and permanent presence of the jetty was the most influential factor disrupting the later stages of the entrepreneurial process, or in some cases terminating the process. Yet



despite this, and the potential business opportunities from the new jetty, business owners continued to manage this change by reverting to small, 'tried and tested' business operations.

Employment was the final environmental factor affecting the business operations of Malaysian nationals, who typically offered a high quality product but employed locally where possible. However according to one male accommodation owner from Kuala Lumpur, local people '*prefer to freelance. They don't want to work in fixed job. They want their own business, own shops. When I asked them, they say 'I want [to] be on my own.'*' The smaller pool of local employees over the larger group of local tourism entrepreneurs was significant enough for businesses to adapt to changing trends by choosing to outsource services, rather than own certain equipment (for example, boats) and employ workers (such as compressor operator) – a strategy that was challenged with the jetty development. Furthermore, local employees were also considered by some to be 'lazy' or 'aloof', however this was a misguided observation as one local snorkel shop owner explained: '*before this, I work as a waiter and getting a good pay about RM1000 [\$270]. But, I had problem to wake up early because they start to operate from 7am to 11pm. Then I decide to work by my own, buy a boat and snorkelling equipment and built the small stall there'* (male, from Terengganu). In this and other cases the unsociable and seasonal working hours were obvious challenges for local people with a different way of life. This was a key reason for starting a dive or snorkel business but only after experience was acquired gradually as an employee with one or multiple businesses: '*Since 1998. . . I started as [a] compressor guy; then became a boatman and took my diving courses and now I'm an instructor here. I start my career with [name of dive operator] and got training from them and did my Open Water level with [another dive operator]'* (male, local dive instructor from Perhentian). Although employment was a critical factor for the larger businesses, it was less of an issue for smaller, local owners and family businesses who could draw on the community and family network for assistance; thus continuing operations 'as normal'.

## **CONCLUSIONS.**

This chapter explored *how* the tourism entrepreneurial process transforms or not, by examining the critical factors (personal, sociological and environmental) that influence such change. Dive tourism was selected because it represents a growing and important market for coastal and island regions in LDCs; once serving a relatively small group of specialist tourist such as backpackers, it now caters for mass tourism.

The key findings from our research in Malaysia broadly showed dive tourism businesses in Perhentian remained small, despite growing competition and price increases. Furthermore, there was a tendency towards imitating rather than innovating products and services (also noted by Koh and Hatten, 2002) even when opportunities arose. These initial observations partly concur with prior research that found tourism entrepreneurs were more inclined to reject growth and profit models over models that fulfilled a lifestyle or non-financial need (DeBerry-Spence and Elliot, 2012; Jaafar et al., 2011). However this was only evident among individuals with experience of modern capitalism as a former resident and / or business owner in a major city or developed country. The main motives for local and regional entrepreneurs with limited experience of the capitalist model correlated strongly with quality of life (not lifestyle) goals, which were inherently associated with the family, the community network and the island's marine environment. Thus, the key factors influencing the entrepreneurial process were, initially, embedded in the social and cultural norms of an island fishing community, rather than originating from transitioning economic and business norms of dive tourism operations in the Perhentians.

The process undertaken by many respondents, during the initial stages of the entrepreneurial process, was guided by friends or family who encouraged, trained or financed those first steps. There was no evidence that government intervention influenced the decision to start a tourism business, nor was there evidence that bank loans were available to fund operations, subsequently what is commonly associated with the dive tourism sector - equipment-intensive (Dimmock et al., 2013) and high capital investment (Townsend, 2008) – was not evident in this case. There were some differences between local and non-local entrepreneurs in how the early stages were managed, and largely defined by their personal circumstances and financial capacity. Non-local Malaysian entrepreneurs had more start-up capital and were able to equip their businesses with a larger stock of specialist dive equipment for rent, than smaller, local operators. This increase in capacity generated increased income from more dive tourists and from renting equipment to smaller businesses. Despite the potential business opportunity to supply and sell dive equipment to dive tourists and local dive businesses - particularly with growing visitor numbers - there was no observable inclination to follow through. This contradicts the findings from Dimmock et al., (2013) who identify this activity as a key component of the dive tourism businesses.

For local entrepreneurs from the islands, they either had training in business from their family or from working in other businesses. In addition there was evidence of some 'laddering' experience in some, or all aspects of the dive tourism business and this resulted in

the start-up of their own business. Our findings concur with Lee et al.'s (2011) research of Malaysian entrepreneurs as having a strong sense of autonomy, self-reliance and resilience, but there was no observable risk-taking.

Concerning sociological factors, these appeared more complex and were interwoven with internal and external environmental factors, which influenced the process significantly in the mid and latter stages of the entrepreneurial process (triggering event, implementation and growth).

Dive tourism has been propelled by local tourism entrepreneurs and small businesses and our fine-grained analysis demonstrates how the tourism entrepreneurial process in an island destination has been clearly influenced by personal, sociological and environment factors, some of which arise from Malaysia's historical specificity. Further comparative work on the tourism entrepreneurial process would be useful to test this notion in other regions such as the Caribbean, Indian and Pacific Oceans, and also cross-comparisons could be investigated with SIDS and other island economies. Specific aspects for further research could include access to capital and the role of the state in relation to tourism entrepreneurs in LDCs. Finally, our research has practical implications for LDC policy-makers and international NGOs and development organisations since tourism remains a key driver within strategic planning for economic growth, employment creation, poverty alleviation and the transformation of local livelihoods.

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