

Management Practice for Small Business Survival: A Qualitative Evidence of Rural Micro-Entrepreneur in Sabah, Malaysia

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Abstract: Many previous researchers found that having adequate managerial competencies including planning, organizing, directing and controlling skills in managing a business are significant predictors of firm survival. Arguably, it is assumed that micro-entrepreneurs in rural areas may have little or no managerial competencies than entrepreneur in urban areas due to their remoteness, especially in terms of constraints in formal education, infrastructure, skilled labor and motivation. Notwithstanding, despite of informal management practice among rural entrepreneurs, some of them still managed to run their business successfully through simple management. It is interesting to know how management is practiced by micro-entrepreneurs in rural area. Therefore, this paper aims to explore the management practice of micro-entrepreneur in Mengkabong Cove, Sabah, by applying the seven business management practice proposed by MacFarlane's Model, namely planning, marketing, organizing, labor, production and operation, controlling and financial. This study involves qualitative face-to-face interview with an oyster farmer. The findings found that the respondent seemed to demonstrate several elements of management in his farming though in less formal way. In addition, the interview also found that the respondent emphasized on the importance of managing and planning things in order to avoid business loss in the future. It is hoped that this paper contributes to relevant agencies in entrepreneur development especially in rural areas to listen to entrepreneurs on the challenges and problems they face, thus could provide relevant supports or programs for them

Keywords: managerial competencies, business management practice, rural micro-entrepreneurs, Sabah, Malaysia

1. Introduction

Many previous studies on small business management have been focusing on the influence of entrepreneurial traits, motives and skills towards firm survival. Previous studies identify that an entrepreneur's level of business management skills has an important impact on business performance, particularly revenues and profitability (Lerner, et al, 1997; Davidsson & Honig, 2003). Fabeil (2013) in her research on rural handicraft entrepreneurs contended that if an entrepreneur does not have the skills in management, or the motivation to acquire them, mistakes can be made which will affect performance. While some entrepreneurs may possess many of the professional competencies (including management, personnel, operation, marketing, and accounting) to increase their chances to success, others may benefit from their modest management practice. A qualitative study on rural small enterprises found that some rural entrepreneurs perceived they practice management skill when they able to manage both their daily activities and business at a time, for example, in terms of division of time and work, outsourcing their production, and deciding on the budgets for production including the cost of raw materials and quantity of products to produce (Fabeil, 2013). It is interesting to know how entrepreneurs in rural areas, which are exposed to greater challenges than enterprises in urban areas due to their remoteness, especially in terms of constraints in infrastructure, skilled labor and motivation (North & Smallbone, 1996; Berma, 2001; Chan, 2005), apply their management practice for business survival. Therefore, this paper investigates via in-depth interview with an oyster farmer, named Sinak, in Mengkabong Cove, Tuaran, Sabah, Malaysia, to gather information on the management practice of the entrepreneur in running his oyster farming in the village.

2. Literature Review

Previous studies found that organizing skill (Baum & Locke, 2004) and ability to connect and interact with other people in a business (Lee & Tsang, 2001) have significant impact on

business success. In addition, Fabeil (2013) found that entrepreneur's personal skill like planning, organizing and marketing have impact on business growth whether the business is growing or stagnating. Some previous studies of growth in small businesses contend that low performing firms tend to use simple accounting approaches and do not prepare formal bookkeeping compared to high performing firms (Holmes & Zimmer, 1994). In fact, McClelland (1987) regards systematic planning and organizing as high quality of work and business excellence. Drucker (1974) mentioned due to its smaller size and limited resources, small enterprise need highly organized and resourceful owner-managers, even more than larger enterprises. It is argued that since small enterprises hire fewer employees, the owner-manager often is obliged to undertake a range of tasks, not all which are within their competence. As a consequence, the owner-manager becomes a generalist, who knows all aspects of management such as finance, personnel, marketing and production. Nevertheless, being a generalist may contribute to challenges to small enterprise in terms of effectiveness of the management; i.e. because the owner-manager is required to do many aspects of tasks, it is hard for each task or role to be carried out effectively, thus this results in a poorly managed enterprise.

In a nutshell, formal management practice seems to receive more attention among scholars and the government to encourage successful enterprise. Nevertheless, for some entrepreneurs of small business in rural areas, modest management is popular among them. Previous studies found that micro-entrepreneurs in rural area often practice informal financial management, i.e. simple accounting or costing rather than having formal financial records (Harper, 1991; Berma, 2001). In relating to sales, micro-entrepreneurs often practice approaches like making to order, having a stall at a weekly market, or use of middlemen or retailers, which do not require them to incur transportation cost (Berma, 2001; Paige & Emery, 2005). In summary, it is proposed that rural micro-entrepreneur in this study do practices some management skills though simple and informal and have potential to survive in business. In order to gain the data, this study applies the seven

(7) business management practice proposed by MacFarlane's Model (1977), namely planning, marketing, organizing, labor, production and operation, controlling and financial.

3. Research Approach

The in-depth interviews were conducted for this study with the aim of gaining a rich information from entrepreneurs' point of view on how they apply management practice in their business. Qualitative in-depth interviewing was used in because of its inductive, epistemology and ontology features (Bryman, 2015), which allow the researcher to understand social reality in its own terms. In-depth interviews are human-intensive and time consuming, thus, a small sample befitting the research objectives was selected. The respondent, Sinak, was chosen purposively based on the recommendation from one of the local people in Mengkabong Cove for his energetic and successful character as entrepreneur in oyster farming.



Figure 1: Researchers Interviewing Sinak at his House

Face-to-face unstructured interview was conducted at the respondent's house (Figure 1). The interview was in the form of free-flow conversations and was guided by an interview guide which contained an outlined script and list of open-ended questions relevant to the topics to be discussed. These related to respondent's experiences and history of his businesses, operation and management of his businesses, what he thought of factors that encouraged or inhibited his business start-up and growth, and challenges he faced. The interview was conducted in the Malay Language. Note taking and digital recording were employed to record the interview responses and photographs were also taken. The discussion started with the most factual and easy to answer questions first, for example the demographic profiles and business profiles, then, questions that asked about interviewee's experiences and operation of their businesses. Finally, the conversation was ended with questions that asked for opinions and perceptions on related information. Every digitally recorded interview in the current study was transcribed and typed up into a word processing document to be analyzed. The process of coding the data into categories was done directly from the data during and after the transcribing process.

4. Findings

4.1 Sinak the Oyster Farmer

Sinak was 16 years old when he was first involved in oyster farming in Mengkabong Cove coastal waters that has been cultivated by his parents for many years. He completed his study until year three in secondary school, and never had attended any courses or training relating to business or farming. He much prefers to operate his business on his own rather than relies on others as he is passionate about oyster farming. Nowadays, after almost 40 years, in his 60s, he is still cultivating oyster, in fact, his business is growing that he now involves in fish farming. He endures the business with his wife and children apart of his four workers. His wife is not working and all of his children doing odd jobs and helping him in the farm or selling oyster and fish in a market. With his own personal savings and supports on raw materials from Fisheries Department of Sabah and Federal Land Consolidation and Rehabilitation Authority (FELCRA), Sinak started the oyster farm near his house in Kampung Tembiluk, Mengkabong Cove (Figure 2). Today, Sinak able to gather 1.5 tons of oyster per month with monthly gross income of RM 3,000. The profit received from the sales of oyster is used to support his family expenses and to expand his oyster cage and fish farm. Besides, he is always concerned with his family and relatives' welfare that he would never hesitate to help them in terms of financial support whenever they in need. From the interview, Sinak seemed to demonstrate several elements of management in his farming though in less formal way. This can be supported by his personal perception which emphasized on the importance of managing and planning things in order to avoid loss in the future.



Figure 2: Oyster Farming Area Near Respondent's House

4.2 Planning Skill

In terms of planning, Sinak mentioned several elements of planning throughout the interview, namely recognizing source of capital, forecasting and allocating revenues, estimating cost and quantity of production as well as planning for new business in a future. He believes that as an entrepreneur, it is always important to take into account the source of capital and the uses of income. Around 70 percent of proceed generated is use for business expansion whilst another remaining 30 percent is use to support his family. Besides, he also prepares sales forecast for his produce, in which in order to reach monthly income between RM 2,000 to RM 3,000, he needs to gather about 1 to 1.5 tons of oysters per month. He also has his own future plan that he prospects to use the gross income to venture a new business like homestay and to expand his fish farm.

4.3 Marketing Skill

In regards to marketing practice, Sinak exhibits modest marketing activities for his business. In terms of packaging for instance, all oysters are packed in plain plastic bag rather than using plastic container or frozen box. This is because the customers always purchase fresh oysters in bulk. Packaging for him is not that important and not his main focus compared to customer demand. He believes that market presence is crucial in ensuring continuous sales, rather than spending so much money for 'unworthy and costly' packaging. In addition, Sinak admits that having strong network with customers, restaurant owners and frozen food manufacturers helps in marketing his products. According to him, 60 percent of the sales were received from *tamu* (bazaar), 30 percent from restaurant owner and the remaining is through direct sales from home. Sinak perceives that traditional marketing technique especially via word-of-mouth as the most powerful marketing technique for his business. He does not have business card or flyers to promote his livestock products. However, he possesses a very good interpersonal skill especially in sharing knowledge with customers or tourists every time they visited the village. It was his passion to share knowledge on the process of rearing oysters and fish, technique on how to pick a quality and fresh oyster, also on preparing delightful recipe of oyster dishes. Sinak admits that communication skills are very important in getting market demand and keeping the existing customers.

4.4 Organizing Skill

Sinak demonstrates a good set of organizational practice when he mentioned about the importance of establishing work schedule for employees. In addition, his initiative in developing strategies to hedge risk during red tide season shows his credibility in managing the business. Sinak also emphasizes the importance of having business objectives and argued that important matters should be settled first and taken seriously. For instance, those who applied for financing should oblige to repay back the loan at agreed amount and time frame given by the bank. So far, he managed to repay his loan from Amanah Ikhtiar Malaysia (AIM) in due time according to the prescribed payment schedule. He aims to be the market leader and wish that he could expand the business to international market in coming years. He believes that setting goals is one of the key contribution to a well-organized enterprise, which is also in line with literatures that says entrepreneurs with good organizing skill will achieve favorable business performance (Mustapha & Abdullah, 2011).

4.5 Production and Operation

On a different note, Sinak recognizes the importance of hiring skilled labour and also people who are very passionate about their work. To him, having skilled workers is a competitive advantage to an enterprise. In managing human resources, Sinak exhibits job empowerment where he allows independence and flexibility to his workers in performing the tasks given to them. Proper trainings were also provided adequately to all employees to enhance their skills. Quite often he heard that many of his ex-workers had started their own oyster farming business after being trained by him and that is one noble contribution that he has made in developing the country's human capital.

His operation management practices can also be acknowledged when he managed to solve the problem of damaged oyster due to red-tide phenomenon. It is problem caused by red algae that deplete oxygen in the waters and release toxins that may destroy marine lives. In order to reduce the damages, he invented an oxygen machine that can avoid the depletion of oxygen in the waters, thus evade the toxins from spreading. In terms of production management, Sinak set the optimal quantity of the business production. He has to make sure that the company able to produce at least 1.5 tons per month to earn an income of RM 3,000 in order to pay operating expenses such as wages and salaries, loan payment and raw materials.

4.6 Controlling

From the management control perspectives, Sinak emphasize on the importance of providing good quality of his livestock products. Interestingly, he set up a standard procedure to segregate different types of oyster before they are sold to customers. He believes that quality control is very important for business in order to remain competitive in the marketplace. Apart from the standard procedure, he closely monitors the performance of his employees to make sure every task that were given to them are being carried out accordingly so that it will not affect the production. Sinak also believes that micro entrepreneurs should control their spending in order to avoid business failure. All income from business must be spent for business development, rather than for unnecessary purposes.

4.7 Financial and Accounting

When asked about managing the company's financials, he admit that it was not being done formally in which all company revenues and expenses were not properly recorded. Nonetheless all proceeds generated were carefully being used to support his family, expanding the business premise and helping the villagers in need. Despite the drawback of not managing the company's financials accordingly, he admits the importance of having proper business financial statements as it is useful for future planning. Having proper financial record might also be useful in applying for financial assistance or support from the government.

4.8 Business Opportunities and Challenges

As for Sinak, the key strength of his business is from support he received from the local government in terms of financial assistance and breeding materials. No doubt that continuous support from friends, relatives and existing customers is also crucial in maintaining the existence of his business for long term. The unstable weather condition and red tide phenomenon are amongst the continues challenges that he had to face. Moreover, he perceived the lack of involvement of government officials in supporting oyster farmers as another challenges for them to expand their business and hoping for regular visit from related government agencies so that all issues he encountered could be voice out. Another problem is lack of support in terms of information on strategies and procedures to promote their products to international market and such challenges could delay the growth of the business. Sinak explains that he once suffered a loss worth RM 10,000 when the oysters that supposed to be shipped to Hong Kong market was detained by the immigration authorities for not having a valid export

permit. In addition, he agreed that competition with other oyster farmers could also become a threat to his business.

5. Conclusion

Overall, Sinak emphasized that good management practice as the important factor for successful enterprise. Although Sinak does not exhibit formal management practice in his business, it is clearly showed from the interviews that he adopted some elements of management into his oysters and fish farming. Mr. Sinak can be considered as an entrepreneur with a well-managed enterprise though he practices simple and informal management. This can be seen when Sinak aware of the strengths and weaknesses of the company and try to create a strategy to mitigate the problems he faced by using his own creativity. It is crucial for relevant agencies in entrepreneur development especially in rural area to listen to entrepreneurs on the challenges and problems they face, thus could provide relevant supports or programs for them. From the interview, Sinak mentioned that he does not want to attend training on business and technical initiated by the government or non-government agencies because he perceives himself as already knowledgeable and competence in running their oyster and fish farming. He argues that the most crucial assistance that need to be provided by government agencies is in terms of information or advice for business expansion, access to finance, access to foreign market as well as labor. He stressed that these types of supports are the most needed by oyster and fish farmer like him.

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