The Direction of Terengganu Tourism Industry in Sustaining Business Growth: A Conceptual Framework

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Abstract: Business sustainability is recognized as a crucial catalyst to the industrial direction and business growth in any industry. This paper focuses on the Terengganu tourism industry efforts to create long term business sustainability through higher profitability, effective management, business performance, and competitive advantage. The state of Terengganu in the East-Coast of Peninsular Malaysia is strategically located as a tourist destination. Therefore, the state tourism board needs to inculcate the right direction of its tourism industry among its tourism agencies and service providers. We argue that establishing the direction of tourism industry is critical in sustaining the business growth. To this end, numerous factors have to be considered in developing the industrial direction of the Terengganu tourism industry which includes heritage sustaining and development, the promotion of Terengganu heritage, the tourism product development, and human resources in tourism industry. This conceptual paper provides scholars and practitioner using underlying framework from the previous literature study regarding the direction in sustaining the business growth in Terengganu tourism industry.

Keyword(s): Business Sustainability, Tourism Sustainable, Industrial Direction, Business Growth, Tourism Industry, heritage Tourism.

1. Introduction

Terengganu is a state situated on the East-Coast of Peninsular Malaysia that is blessed with many traditional cultural heritages which has been in existence for thousands of years. This Malay traditional lifestyle, and unique of culture are synonym with the characters of the current tourism product preferred by both local and foreign tourists. The Terengganu state government has taken several actions to ensure the continuation and sustainability of the demand for these tourism products in the future.

Business sustainability is an approach applied mostly by large organisations, contributing to essential industrial direction in sustaining and developing its’ business growth. Similarly, this strategy is adopted to construct the direction of Terengganu tourism industry. This strategy has become crucial in sustaining the tourism business growth, especially for business operators who are already running their business for decades. In addition to contributing to the tourism
business growth as a whole, business sustainability has become a useful concept for the tourism industrial operators and has evolved into an essential industrial strategy which affects long-term business growth. In fact, the concept of sustainability has become important for Terengganu tourism industry and influences a number of factors in determining the growth of a business.

The objective of this paper is to study the relationship between the factors of business sustainability, industrial direction and the business growth in the Terengganu tourism industry. According to the Terengganu State Tourism Department (2011), there are four main factors that motivate the State Tourism Department in constructing the direction of tourism industry in sustaining the local business operators. The four factors include the importance of local heritage elements in attracting both local and foreign tourists, the strategic planning in promoting the tourism product, using creativity and innovation in developing tourism product, human capital development and management of human resources in developing job design. In addition, review of the literature has identified several factors that may be considered in this conceptual analysis, which includes sustaining competitive advantage, capability to sustain the business profitability, ability to manage the business efficiency, and maintaining business performance. In general, the significance of industrial direction in sustaining the tourism industry and business growth has been emphasized by many researchers in their studies, such as Rosenfeld, (2008); McCain and Ray (2003); Ashworth & Larkham (1994); Hatta Azad Khan, (2006); and Arthur and Mensah (2006).

2. Background of Terengganu Tourism

The seven districts found in the state of Terengganu have been identified to have their own strength in the state’s tourism development, in the context of heritage, culture and natural environment. The Terengganu State Economic Planning Unit or the Unit Perancangan Ekonomi Negeri Terengganu (2008), believe that the tourism industry is set to become a major contributor to Terengganu’s gross domestic product and position the industry as the second most important economic sector after the petroleum and gas industry. In order to develop and promote its tourism product, the Terengganu state government has identified three major components which included the element of heritage, culture, and environment. The development of tourism products in Terengganu has help increase the number of tourist yearly. According to the Terengganu Department of Tourism (2011), more than 2 million tourists visited Terengganu in 2008, 2.8 million tourists 2009 and 3.5 million tourists visited the state in the year 2010. With the increasing number of visitors, it motivates the state government to strategically plan in promoting the local heritage, culture and environment.

Based on the work of Arthur and Mensah (2006), the Terengganu Tourism Department realised that a strong tourism industry must be supported by a good service in hotel and restaurant, and also an international standard of telecommunication and transportation. Furthermore, the element of heritage and environment will be adopted as the basic guiding principle in the development of the tourism industry in Terengganu. Einarson (2002) also added that creative industry with strong arts and heritage activities are important elements that contribute to the
gross domestic products especially in South East Asian countries. In its efforts to enhance the protection of its culture, culture development, and environment, the Terengganu state government has been able to set a clear direction for its tourism industry. Setting an industrial direction has become important for Terengganu tourism industry due to its association in creating business sustainability. Four criteria were adopted by the Terengganu state government in developing its direction in the tourism industry, namely; heritage protection, promotion of tourism product, product development and human resources development. It is the aim of this paper to explore and evaluate the soundness of these factors in influencing the Terengganu’s tourism industrial direction and how it contributes to business sustainability of entrepreneurs in the industry.

3. Business Sustainability in Tourism Industry

The tourism industry has been identified as one of the largest and fastest growing industries (Miller, 1990; Hunter, 1995; McMinn, 1997). For some develop or developing countries, tourism industry comprises of critical component in local, regional and national economies, contributing significantly to employment creation, growth of gross domestic products and foreign exchange earnings. The tourism business has become an important industry in United Kingdom in developing and implementing a sustainability business strategy while increasing the long-term benefits to local communities (United Nations World Tourism Organization, 2012). Business sustainability has become a strategic imperative for almost all the industrial players for the last three decades and has evolved into a tourism industry affecting long-term viability development and success. Moreover, the World Tourism Organization (1996) has defined sustainable tourism as tourism activities which lead to the management of all resources in a way that economic, social and aesthetic needs can be fulfilled while maintaining cultural integrity, essential ecological processes, and biological diversity and life support systems. In addition, the term sustainable tourism may also include the factors of eco-tourism, green travel, environmentally and culturally responsible tourism, fair trade and ethical travel. Consequently, the term business sustainability is part of the strategic direction in maintaining the business growth in the tourism sectors.

Tourism is one of the major contributors to the Malaysia gross domestic products. Among the states in Malaysia, Terengganu is one of the biggest income generators. However, past literature has shown that the majority of tourism operators in Terengganu are perceived as being stagnant in developing their business. Most of the business operators in Terengganu’s tourism sector are not willing to take the initiative to further develop their business as well as to sustain the industry in terms of heritage protection, promotion of tourism product, development of tourism product, and human resources development. Furthermore, the Terengganu state government through the State Tourism Department has been planning and implementing several actions to transform the tourism industry to be competitive in a global market. In fact, several actions have been taken to increase the numbers of tourist by maintaining its beautiful natural environmental, improving the services rendered in hotel, restaurants, recreational parks and other location. The researchers argued that the concept of
business sustainability may help materialised the direction of tourism industry in developing the business growth among tourists entrepreneurs.

4. Literature Review

Due to the current business sustainability problems, numerous studies have been conducted by researchers to determine the factors in influencing business sustainability. Research has shown that these factors can be divided into macro-economic factors, micro-economic factors and psychological factors aspects which are elaborated below in demonstrating the extent of these elements in affecting the business sustainability in the tourism industry. The tourism industry is internationally recognized to comprise of a variety of types tourist products which includes agriculture tourism, arts tourism, cultural and heritage tourism, destination tourism, meetings and conventions, and recreational tourism. According to Silbergeg (1995), the concept of heritage tourism is considered as a tool for economic development that may create economic growth by attracting visitors outside of a host community.

Furthermore, creating a sound business direction is constantly seen as an effective way to sustain business growth as one of the means in creating sustainable advantage in the tourism industry. According to Habibah Ahmad (1994), there are several factors of tourism industrial direction that significantly influences the longevity of the business, including; the usage of heritage in attracting tourist, strategic promotion in tourism product, initiative to develop the tourism product, and planning the human resources development as well as to fulfil the job demand in tourism industry. As mentioned by Rosenfeld (2008), the use of heritage tourism is considered as an approach to strengthen the promotion effectiveness in tourism industry. Furthermore, McCain and Ray (2003) has noted that the concept of a “cultural district” within a community is designed to create physical and non-physical heritage, such as the history, art, science, lifestyles, architecture and natural scenery of a destination. The development of micro and small handicrafts business is also considered as one of the strategy to promote the heritage tourism in Terengganu (Wan Hashim, 1996). It is clearly stated in the policy of the Malaysian tourism industry that the tourism destination no longer depends on the present offerings dictated by the business operators, but also enhancement of the services in attracting the tourists, as well as in marketing strategic. At present, the Terengganu state government is assisted by the local home stay and resort owners in providing good international promotion (Hatta Azad Khan, 2006). Hence, the researchers argue that the implementation of promotion in the tourism industry is important in assisting the business owners in grabbing business opportunities for both local and international market. Ashwort and Larkham (1994) suggested that the right strategies in developing tourism industry among developing countries are to offer tourism destinations with lower cost, promoting a lot of tourism packages to tourists, and promoting socio-culture products as one of its selling points.

According to Arthur and Mensah (2006), the development of tourism product in many countries can be contributed to several factors, such as excellent services in hotels and restaurants, international telecommunication standards, better transportation and physical facilities, high variety of tourism products packages the background of society and environmental as sources
in promoting the tourism product, and developing the identity of tourism heritage product. Furthermore, the development of excellent human resources management has become essential in supplying the personnel for both operation and managing level. Furthermore, Mathis and Jackson (2003) suggested that good human resource is necessary in developing the tourism industry. They highlighted several factors that should be taken into consideration in an industrial direction development exercise. It includes among others; facilitating training centre in enhancing job skill, implementing the right selection and recruitment in job market, in terms of knowledge and experience, handling effective performance appraisal in evaluating the workers and the employers. This include employees’ understanding of legal issues such as equality in employment.

As noted by Silberberg (1995), Ashwort and Larkham (1994), Habibah Ahmad (1994), Rosenfeld (2008), McCain and Ray (2003), and Arthur and Mensah (2006), the tourism industry is seen as a gateway to better opportunities for business operators and policies developer in order to maintain the economy growth of the industry. Therefore, the concept of business sustainability in the tourism industry is crucial in bridging the construct industrial direction with business growth. In recent years, the research on tourism suggested that business sustainability is crucial in the Malaysian tourism industry (Habibah Ahmad, 1994). Similarly, in other countries business sustainable was used as the catalyst to restore the economy of a country in difficult times. Littunen (2000) also postulates that there are widespread recognitions that business sustainability is the engine that drives the economy of most nations. The term business sustainability has been defined as sustaining and improving the business performance, as well as to adopt business strength and to overcome weakness (McClelland, 1961). Given the importance of business sustainable in any industry, Rotter (1966) investigated how the concept of business sustainability in setting an organisation’s vision and mission may influence the ability of a business to face and reduce challenges in the business environment. Furthermore, Littunen (2000) and McClelland (1961) have developed the concept of business sustainability in terms of the relationship between the maturity of a business in facing business challenges and its ability to solve business problems independently.

Table 1: The citation and indicators of variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Indicators</th>
<th>Citation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Heritage Tourism</td>
<td>• The use of heritage tourism as an approach to place promotion.</td>
<td>Rosenfeld, R. A (2008); McCain and Ray (2003)</td>
</tr>
<tr>
<td></td>
<td>• The concept of a cultural district within a community is designed to create a physical space.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• The museum cultural localized historical downtown area.</td>
<td></td>
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<tr>
<td></td>
<td>• The history, art, science, lifestyles, architecture and scenery.</td>
<td></td>
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<td></td>
<td>• Develop small and medium sized</td>
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</tbody>
</table>
The Promotion of Tourism Product
- Beautiful destination become attraction to the tourists
- Government assistance in providing the tourism promotion internationally
- Offering a good places with a lower cost
- Promote a lot of tourism package to the foreign tourists
- Promote the socio-culture as well as international demanding


The Development of Tourism Product
- A good service in hotel and restaurant.
- An international standard of telecommunication.
- A better in transportation and facilities.
- The variety of tourism product package
- The background of society and environmental as sources in promoting the tourism product
- Developing the identity of tourism heritage product

Arthur and Mensah (2006);

The Human Resources development
- The facilitating training centre in constructing the job skill.
- Implementing the right selection and recruiting in job market in term of knowledge and experience.
- Handling performance appraisal in evaluating the workers.
- Employers and employees should understand the legal framework and equal employment.

Mathis, R.L and Jackson, J.H (2003)

Business Sustainability
- Sustaining in improving the business performance, as well as to adopt business strength and to overcome weakness.
- Sustaining in target setting the vision and mission.
- Capable to face a business challenging and to reduce business challenging.
- Maturity becomes confident to face business challenging.
- Sustaining in solving the business barrier

Littunen (2000); McClelland (1961); Rotter (1966)
In term of business growth, the measurement of the growth among emerging small businesses is a complex discipline with no generally accepted criteria (Naman et al, 1993). A variety of measurement has been utilized to evaluate the criteria of small business growth, such as sales volume, profit levels, number of employees, number of customers and the increase in market share (Altinay et al, 2008). Furthermore, Altinay et al (2008) have added that many external factors which are influenced by elements of business growth, such as culture, education, sojourning orientation, communication and ethnic labour. Therefore, the study of business growth is emphasizing more attention on the contribution of business growth to the performance of a business.

In addition to business growth, competitive advantage has also become an important factor in measuring the level of business performance (Lau, 2002). In general, a sound business strategy will take into consideration the competitive position of a firm in a particular market (Day et al, 1988). An effective small business management team must take into account the unique competencies of a firm that would help creates long term competitive advantage over its competitors. According to Day et. al (1988), competitive advantage of a business is usually reflected in its superiority in production resources and performance outcomes. Moreover, Bernice & Meredith (1997) added that creating competitive advantage requires the skills and capabilities that would help a business to differentiate it from its competitors. Therefore, as a prerequisite to any business planning, these competitive factors must first be identify and evaluated due to its relative importance in achieving a business mission.

The element of profitability has also become an indicator to measure the performance of business. Zimmerer et al (2005) suggested that in evaluating a profit ratio properly we must consider several indicators such as; the business’s asset value, inventory and receivable turnover ratios, and total capital. Therefore, high profit margin on sales is not a critical element for a successful business operation. Meanwhile, Griffin et al (2006) have highlighted that a knowledgeable entrepreneur’s will consider the contribution of profitability ratio in measuring their business’s potential earnings.

On the other hand, the science of management has also becomes an important factor in determining business operators knowledge and skills which are associated to the performance of their business. According to Hankinson et al (1997), good managers or business owners are graded in terms of their expertise and ability in the areas of marketing, technical ability, general management, finance, languages, leadership and personnel. Wickham et al (1994) have also argued that entrepreneurs who manage successfully are considered to have good decision-making characteristic. According to him, the concept of decision-making in management is defined as the willingness of entrepreneurs or managers to study the environment and analyze information before making any decision. Hence, entrepreneurs with strong character in communication responsiveness, negotiation and organizing will be associated with high
business performance. Table 2 below shows the indicators that may contribute to business performance evaluation such as business growth, competitive advantage, profitability, and managerial skills.

Table 2: Indicators in a Business Growth which are supported by citation

<table>
<thead>
<tr>
<th>Factors</th>
<th>Indicators</th>
<th>Citation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Performance</td>
<td>• Sales volume</td>
<td>Altinay et al, 2008;</td>
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<td></td>
<td>• Sales turnover start-up and sales turnover today</td>
<td>Naman et al, 1993</td>
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<td></td>
<td>• Profit levels</td>
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<td></td>
<td>• Number of employees</td>
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<tr>
<td></td>
<td>• Number of customers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Increases of market share</td>
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<tr>
<td>Competitive Advantage</td>
<td>• The distinctive competencies that give a competitive advantage.</td>
<td>Lau, 2002;</td>
</tr>
<tr>
<td></td>
<td>• Superiority of production resources and performance outcomes.</td>
<td>Day et al, 1988;</td>
</tr>
<tr>
<td></td>
<td>• The skills and capabilities that differentiate a business from competitors.</td>
<td>Bernice &amp; Meredith (1997)</td>
</tr>
<tr>
<td>Profitability</td>
<td>• Business’s asset value</td>
<td>Zimmerer et al, 2005</td>
</tr>
<tr>
<td></td>
<td>• Inventory</td>
<td></td>
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<tr>
<td></td>
<td>• Receivable turnover ratios</td>
<td></td>
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<td></td>
<td>• Total capital.</td>
<td></td>
</tr>
<tr>
<td>Managerial Competencies</td>
<td>• Knowledge in marketing</td>
<td>Hankinson et al, 1997;</td>
</tr>
<tr>
<td></td>
<td>• Technical ability</td>
<td>Wickham et al, 1994</td>
</tr>
<tr>
<td></td>
<td>• General management</td>
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<td></td>
<td>• Finance</td>
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<td></td>
<td>• Languages</td>
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<td>• Leadership</td>
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<td></td>
<td>• Personnel.</td>
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<td></td>
<td>• Decision making</td>
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</tbody>
</table>
The Concept of Industrial Direction in Sustaining Business Growth

The concept of industrial direction in sustaining business growth can be better understood through several perspectives. This paper adopts an economic tourism industrial direction and business sustainability point of view. Many study of tourism management initially looks at the phenomenon of industrial direction and business sustaining in tourism. Subsequently, a number of studies support the existence of economically motivated factors which may contribute to a nation gross domestic product. In reference to past literature, this conceptual framework is divided into three parts. The first part includes elements in explaining the concept of industrial direction in sustaining the business operations. Second, the concept of business sustainability as a mediator between industrial direction and business growth, and the third part is related to the business growth which affects the tourism business sustainability. In particular, the first part of this conceptual framework suggested that the direction of the tourism industry includes factors such heritage tourism, promotion of tourism product, developing the tourism product, and human resources development. Furthermore, based on past literature, factors associated with industrial direction significantly contributed to business sustainability. Previous scholar suggested several criteria in sustaining the business. These criteria includes sustaining and improving business performance, as well as adopting business strength and to overcoming weakness; sustaining in target setting the vision and mission; capable to face business challenges and minimising business challenges; high maturity to face business challenging and ability in solving business barrier independently. Furthermore, sustaining business in the long run will contribute to business growth, in term of competitive advantage, profitability, better management and also high business performance. Moreover, sustaining the business growth reflects its industrial performance and direction. Figure 1 in the next page highlights this conceptual study.
Figure 1: A conceptual framework of tourism direction and business growth

<table>
<thead>
<tr>
<th>Tourism Industrial Direction</th>
<th>Business Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Heritage Tourism</td>
<td>Competitive Advantage</td>
</tr>
<tr>
<td>The Promotion of Tourism Product</td>
<td>Profitability</td>
</tr>
<tr>
<td>The Development of Tourism Product</td>
<td>Effective Management</td>
</tr>
<tr>
<td>The Human Resources Development</td>
<td>Business Performance</td>
</tr>
</tbody>
</table>

5. Recommendation

The department of the Terengganu State Tourism (2011) has suggested that industrial players should no longer depend on subsidies or other financial assistance, but they should have the ability to sustain their business in a highly competitive manner, as well as creating long term business sustainability. In fact, past literature has proven that the factor of tourism industrial direction is significantly contributes to the business sustainability in the tourism industry. Meanwhile, an application of business sustainability in tourism industry is constantly seen as an effective way of providing industrial players with the right track in their business growth. In fact, the Terengganu State Tourism Department has already taken initiative in planning and implementing the tourism industrial direction. However, it should be taken into consideration the reformation of the business sustainability program among business operators in the Terengganu tourism industry. The Department of Terengganu State Tourism should a provide a clear picture on the concept of business sustainability to industrial practitioners, Hopefully this effort will help change their concept of industrial direction in the tourism industry from the perspective of heritage tourism, the promotion of tourism product, the development of tourism product, and human resources development.

The implementation of tourism industrial direction by the Terengganu State Tourism has become prominent in establishing the tourism industry, in terms of infrastructure and human
skill development. This strategy in creating industrial direction is considered as an important factor in developing the tourism industry to sustain as well as to support the Malaysian policy in tourism industry. The findings of this study are crucial to the Terengganu State Tourism in helping practitioners by creating their awareness in business sustainability, in the context of business growth. Based on the finding of this study, the development of industrial direction in tourism industry is significantly important in strategising business sustainability pertaining to business growth.

6. Conclusion

In summary, the objective of this study was to address the apparent lack of a theoretical framework for sustainable tourism development program. Attempts were also made to integrate industrial direction with business growth among local business operators in the Terengganu tourism industry. The findings of previous literature were used as a foundation for examining the tourism industry in a holistic manner. The general indicators of tourism sustainability, as suggested by the Terengganu State Tourism, were transformed into a model in the context of the tourism industry. This model is useful in creating sustainable tourism development. Ideally, the conceptual framework developed for this study will provide implications for tourism business planners and policy decision makers.
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