

DEALING WITH UNCERTAINTY: AN ANALYSIS OF VRIN RESOURCES FOR SME'S BUSINESS SURVIVAL

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ABSTRACT

Extant research suggests the application of resource-based view (RBV) in exploring the issue of firm growth and innovation. Crucial elements of RBV assume that valuable, rare, inimitable and non-substitutable (VRIN) resources are necessary for an organisation to gain competitive advantage, especially in an uncertain business environment. This study focuses on employees' performance and the implementation of human resource management practices as important tools for survival in a challenging time. A content analysis is employed based on interviews data of managers of small and medium hotels in three popular islands in Malaysia. The analytical results are contradictory to the assumptions of VRIN resources. Island hotels are found to own a uniqueness in its characteristics that influence the hotels' strategy to survive. Findings of this study call for future exploration of tourism industry sustainability planning, mainly to address the many challenges of uncertain business environments through effective resources management.

Keywords: human resource management, employees performance, organizational change, uncertainty, SMEs, business adaptation, Malaysia

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1. INTRODUCTION

Uncertainty in business is defined as unforeseen activities or areas that are risky for a business because those activities are not being considered at the early stage of the business planning process (Perminova et al., 2008). By its nature, uncertainty can possibly hinder the business growth if it is not managed well because those areas are not being pre-planned as part of the business strategy.

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Dealing with uncertainty requires changes to be made not only on the business activities, but also in terms of cost and time, as well as business scope. Therefore, in recent times, scholars urged for more attention to be given on the issue of uncertainty due to a dynamic business environment facing businesses. The complexity of the current business environments requires businesses to maintain a strong sense of survival through continued business operations while avoiding failure at any time (Wilson et al., 2013).

Small and Medium Enterprises (SMEs) are among the main contributors to the economic development of many countries, but many challenges occurring in today's dynamic business environment have affected their growth (Susilowati et al., 2019). For SMEs, challenges such as lack of financing, low competencies as entrepreneurs, and ineffective training programs have contributed to their decreased performance (Khan & Khalique, 2014). As a result of inefficient management and poor decision making, SME businesses may collapse (Gombarume & Mavhundutse, 2014). One of the critical impacts of poor management among SMEs is high employee turnover (Aliogo & Eneh, 2016). Further, less attention is paid to the process of SME development, but solely on outcomes, a scope merely based on quantitative measures and the ignorance of contextual elements in understanding the issue (Salder et al., 2020). The ignorance of the process of achieving outcomes may cause more risks to a business, especially in times where flexibility and agility are important elements for timely decision making to reach business success.

Due to uncertainty of the business environment that demands changes of the business strategy, tourism products that are mostly grouped under SME business require more modification for business survival. Operating under an uncertain business environment have exposed the small and medium hotels with uncertainty due to human resource issues, high competition and increased customer's need (Ahmad et al., 2018; Mustapic, 2017; Rosli, 2012). At the same time, more opportunities are expected from other tourism services such as sports related activities, leisure programs, conferences, gaming, retail and others (International Labour Organization, 2010). The movement towards this new venture signals the issue of uncertainty to be taken care of by the service providers. This is to the need to equip employees with skills and knowledge necessary to offer the services and thus more development of the tourism sector can be expected. These challenges are important to manage because the potential of the island tourism industry is very huge, especially for the economic growth of the country (Raguz et al., 2015).

Specifically, a firm resource which is valuable, rare, inimitable and non-substitutable (VRIN) requires good management in order to contribute to the organizational goals (Ugbam et al., 2012). Utilising internal and external resources owned by the organization may likely increase the survival of the business through challenging times. This is in line with the effort of SME to increase their competitiveness and survive in the market through effective management of resources and capabilities. One of the critical impacts of poor management among SMEs is high employee turnover (Aliogo & Eneh, 2016). Thus, continuously evaluating the value of organizational resources appears to be critical for SMEs to keep up with changes in the business environment and ensure survival in the face of increased competition from local and international competitors. A previous study has found that proper human resource management (HRM) practices of an island hotel significantly improved satisfaction with employee performance and thus increased customer satisfaction (Prayag & Hosany, 2015). This finding suggests the importance of HRM practices to employees' performance and business sustainability. Moreover, for SME to optimise their potentials and achieve larger developmental goals of the nation's economic and social agendas,

continuous funding sources are required to invest in their organizational growth (Dowling et al., 2019). Therefore, the identification of the main forces that influence business survival and how well each force is able to integrate may influence the ability of each SME to achieve competitive advantage, especially to survive in the dynamic business environment.

Hence, the purpose of this study is to explore employee performance and the implementations of HRM practices among SMEs in facing challenges in the uncertain business environment of the tourism sector.

2. LITERATURE REVIEW

2.1. *SMEs and tourism industry*

SMEs play an essential role in contributing to economic growth worldwide (Obi et al., 2018). SMEs have been reported to contribute to 99% of the economic development (Neagu, 2016). The development of SMEs not only boosts new business ventures amongst small businesses for economic growth, but importantly creates employment opportunities that could alleviate poverty among the society amidst the global economics crisis, as well as the increased cost of living and heightened unemployment rate especially among middle class people. Further, the significant roles of SME also relate to the ability of businesses to promote foreign trade and innovation in business operations (Luo et al., 2016). SMEs play a critical role in supporting export activities of the larger industries although they generally do not conduct it directly due to its limited capability. Many countries, including European countries, have put emphasis on stimulating the potential of SMEs for their benefits at many levels, including local, regional and national economic goals (Gherghina et al., 2020).

The nature of SMEs, being a smaller structure organization as compared to large companies, allows them to be more flexible in management and operation, better capability to adapt with the new market and customer requirements as well as faster decision making (Perez-Gomez et al., 2018). While the definition of SME varies between countries, a few criteria are commonly used to define this group of companies, including number of employees, annual sales turnover, or sales volume (Mohammad, 2012). In Malaysia, National SME Development Council (NSDC) classifies SME based on the number of employees and annual sales turnover. These characteristics are used as indicators for defining businesses that are categorized as SME to differentiate them from another types of organization (Development Finance and Enterprise Department, 2013).

However, with increased uncertainties in the business environment, SMEs have no option but to improve the way they manage businesses in order to survive with the current market requirements (Tece, 2010). In the modern business world, where the advancement of technology and digitalization have been the main focus of business activity, the assumption on the significant influence of cheap labour, availability of raw materials and close proximity to the target market are no longer become main determinants for SMEs to gain a competitive advantage against their competitors (Da Silveira, 2001). Instead, the application of technological advancement becomes a more important influence than other forces (Ramayah et al., 2013). In addition to facing economic changes, SMEs are also exposed to internalization due to the impact of globalization as well as

governmental initiatives and support (Safari & Saleh, 2020). These have brought intense challenges for SMEs to survive and remain competitive against their competitors in the market. As Malaysia is moving towards a high income nation by 2020, the survival of SME businesses is important for the economic development of the country (OECD, 2018). As the tourism business in Malaysian islands are mostly covered by small and medium hotels, focusing on their growth and business sustainability are main considerations of the tourism industry.

2.2. Resource based view (RBV) and VRIN resources

Modern business environments bring various challenges to the management of the organization, unlike before. This also means that the organization needs to adapt to current situations with the right strategies that could result in a positive effect on organizational performance. For this purpose, a great deal of attention has been given to strategic HRM for its focus to improve the management of the organization in the contemporary world (Jiang & Messersmith, 2018). As far as organizational effectiveness is concerned, the exploration of the issue on how organizations attempt to adapt into the current challenges is made according to the assumptions of many management theories. Based on a review of theories used by management scholars, the Resource-Based View (RBV) is ranked as the most frequently used theory for management research (Jiang & Messersmith, 2018). The main assumptions of RBV involve the elements of valuable, rare, inimitable, and non-substitutable resources (VRIN) which act as a catalyst for achieving organizational competitive advantage. This argument mainly explains the connection between HRM matters and organizational performance.

To create an effective competitive advantage in an uncertain business environment due to environmental disruptions such as climate change, firms like SME hotels need to be able to recognize their available resources and how to make use of them effectively for organizational development (Newbert, 2007). This is consistent with RBV theory, based on the idea that an effective use of organization available resources will assist them in creating competitive advantage. Those resources include all assets, process and quality, HRM practices, and other critical parts of the organization (Priem & Butler, 2001). Apart from that, previous research has also found that some other terms that lie within the employee, such as labour, people, human capital, human resource, talent, or intellectual capital, which are crucial to the organization's success and competitive advantage (Boudreau & Ramstad, 2007). These could explain why RBV is mainly applicable to explain the relationship between HRM systems and organizational effectiveness. This is because the organizational configuration used to plan for the right strategy is often associated with people management.

Barney (1991) expanded the argument about the company resources and highlighted that organization resources will have to possess a set of VRIN characteristics in order to achieve a competitive advantage. This is supported by other researchers, who call organization resources rare and valuable (Talaja, 2012). A rare and valuable resource potentially gives an advantage to the organization against their competitors, because the asset is hard to imitate. Firm VRIN resources, and especially employees, can create a competitive advantage and sustain the business for a long term if it is managed properly (Davis & Simpson, 2017). Employees with strong values and distinct skills can assist the organization in creating sustainable competitive advantage regardless of the situation. However, any resources owned by the organization should continuously be strengthened and renewed given the high competitiveness of the current market (Pearson et al., 2015).

While the legitimacy of chosen strategy is dependent on a firm particular context, researchers also suggest the exploration of less frequently used theory in searching for the best answer for organizational outcomes (Jiang & Messersmith, 2018).

2.3. Social embeddedness theory

Since legitimacy of business strategy is also influenced by a particular context, researchers believe that there is a chance that contextual elements could influence the effectiveness of the actions taken for business development. Business operations are described as those activities that are embedded and occur under the continuous relationship between economic and non-economic goals which are influenced by the social elements (Jack & Anderson, 2002; Sarasvathy & Venkataraman, 2011).

Business activities are closely tied with the concept of embeddedness because it is developed based on social relationships between many actors in a particular market (Hoang & Antoncic, 2003). However, due to limitations in its practice, and especially in defining the actual concept to linking economics measures with that of social circumstances, the applications of social embeddedness theory are still challenging (McKeever et al., 2014). Researchers have proposed three key themes to improve the usefulness of the social embeddedness theory in business activities: structural contexts, processes and performance implications.

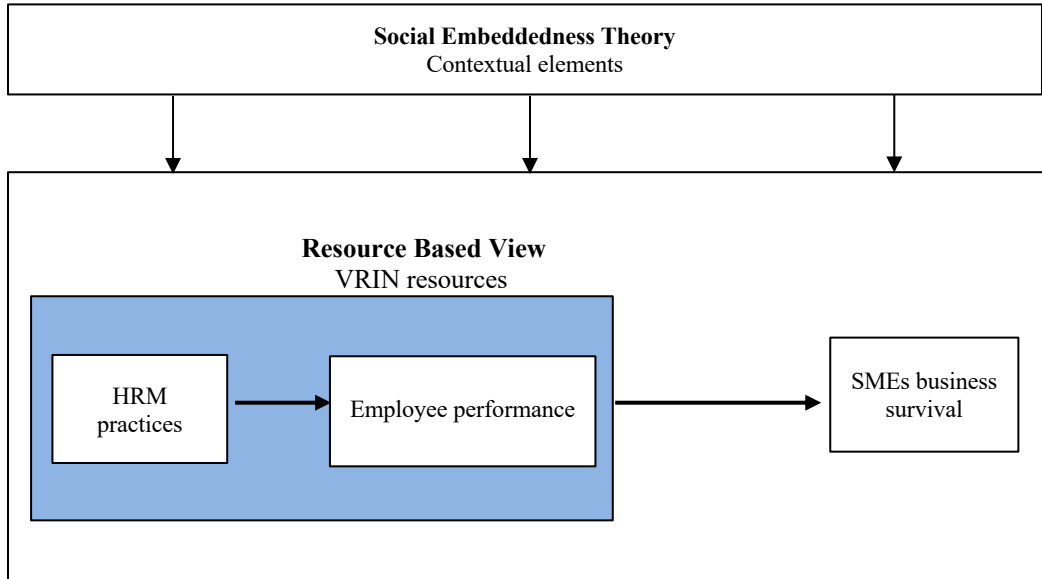
Structural context is used to interpret the relationship between social influence and businesses, based on the understanding that the owner and their organization operate under a larger structure consisting of forces and influence that could determine the development of the business (Kloosterman, 2010). Therefore, economic outcomes and social interactions are assumed to be interdependent as the business need to consider the social complexity in determining their business direction and goals to maintain its survival in the existing structure where they belong to (McKeever et al., 2014). Social complexity can be interpreted through many perspectives of affective belonging, including family (Aldrich & Cliff, 2003), ethnicity (Ram et al., 2002), gender (Louch, 2000), social class (Anderson & Miller, 2003) and economic migration (2010).

Moreover, social embeddedness also takes into account the processes involved for the business owner and businesses to be part of the structure. The 'process' involves actions more than considering the social networks' perspectives but to include 'understanding', 'enacting' and 'maintaining' the structure (Jack & Anderson, 2002). These actions can be done through the community and societal feedback who provide access on the context, location and mechanism to be included and gain the structural integrity (Slotte-Kock & Coviello, 2010).

Based on social embeddedness theory, business performance achieved through this process can be interpreted as a longer term of profit maximization (Aldrich & Cliff, 2003). This is following the structural integration that enables the business to understand the changing social expectations better and thus overcome challenges that hinder the development of the business. Although the process is complex, social interactions can guarantee that business outcomes can be achieved (Johannisson et al., 2002) and for the business to gain a competitive advantage (Aldrich & Kim, 2007; Kloosterman, 2010).

The purpose of this paper is to explore the survival of SMEs through uncertain times. This is done by examining the relationship between HRM practices they have applied and employee performance, and how this relationship influences the development of their businesses. A preliminary conceptual framework of this study is illustrated in Figure 1.

Figure 1: A preliminary conceptual framework



3. METHODOLOGY

The study employs a qualitative method through in-depth interviews in order to gain deeper understanding on the process of how the small and medium island hotels manager utilized their resources to gain a competitive advantage for their organization in an uncertain situation. A qualitative method is very useful in providing deep and particular information that is unlikely to be gathered through quantitative measures (Daniel, 2016; Rahman, 2017). Employees' performance and HRM practices are the main focus of this study. These resources have been chosen for their importance to organizational success (Purcell & Hutchinson, 2007; Guest, 2017; Mat & Barrett, 2017).

The scope of this study is the Malaysian hotel industry, particularly small and medium island hotels. This is following the fact that the hotel industry is vulnerable to many uncertainties due to the constant changes of the business environment (Said et al., 2015). The challenges for island hotels are even tougher, not only due to economic situations but also environmental impacts like climate change (Senapati & Gupta, 2017). Climate change can be considered as a potential source of uncertainty to hoteliers, since the issue is often treated as a distant problem; not much attention is given upfront until the impact is real (Mat et al., 2019). From a total of eight hotels involved in this study, three hotels are from Perhentian Island and Redang Island, respectively. The remaining

hotels are from Tioman Island. Hotels are selected on the basis of accessibility permitted by the hotels management. Confidentiality issues possibly limit the coverage of hotels involved in this study. These islands were chosen for their popularity and attractions that are looked upon by most tourists who visit Malaysia. Small and medium size hotels are relevant for this study, as they represent the most common hotel types for the island's segment. Based on the geographical distribution of hotels in East Coast Peninsular Malaysia, Pahang has the highest number of hotels, followed by Terengganu and Kelantan, respectively (Valuation and Property Services Department, 2017).

Interviews were conducted with managers of the small and medium hotels in three islands located in East Coast Peninsular Malaysia: Perhentian Island, Redang Island and Tioman Island. Managers are the best respondents, as they provide expert opinions about island hotels' operations. Expert sampling methods benefits this research in gaining insight of HRM practices of the small and medium island hotels in an effort to gain competitive advantage through their employees. Before conducting the interviews, all hotels have been contacted to get the permission of conducting the research at their hotel. Each hotel nominated their manager to be involved in the interview and scheduled the session at their convenience. All respondents were given an information letter and consent form before the interview started. Interviews were recorded with the consent of every respondent. Interviews were conducted both in English and Malay based on the preferences of each respondent. The interview data were transcribed before the data analysis. The transcripts in Malay were translated to English and checked for the validity of the data.

The researcher employs content analysis for its ability to make replicable and valid inferences of the responses from respondents to explore about the characteristics of their hotels resources that are important to sustain their business operation. The interpretation of the data is also based on the elements and assumptions of the RBV and Social Embeddedness Theory.

In the Malaysian service sector, an SME is defined as an organization that gains sales turnover of not more than MYR20 million and has less than 75 full-time employees (SME Corporation Malaysia, n.d.). All hotels involved in this study meet these requirements. The demographic background of the respondents is illustrated in Table 1. The ratio between male and female respondents is almost the same but majority of them are over 30 years of age. Among the significant characteristics of the respondents is in terms of their educational background, as most of them are found to have a high school education to allow them to work in the hotel industry. Moreover, most respondents are considered to have an adequate experience in the hotel industry, as they have been working for more than five years with the hotel. Although some respondents have less than five years of experience, their responses are still relevant to represent their hotels, because of the nature of island' hotels operation that include laid-off time on a yearly basis. This is due to the monsoon season, which limits their operation. and so island hotels are used to employ new employees every year. Further, hotels were contacted earlier before each interview session was scheduled, and the management themselves nominated their manager who knew the hotels' operations well. Based on the interviews, the consensus among the island hotel management is that as they welcome new employees every year, they have an intensive orientation session to make the new employees familiar with the hotels' operation in a short time. This suggests the knowledge and understanding possessed by the managers, although they may be newcomers to the hotel industry. Most hotels also practices mentoring approach to ease the transition of newcomers into the hotel's work culture.

Feedback from each hotel is mostly based on one representative, while two hotels had more respondents involved.

Table 1: Background of Respondents

Island	Hotel	Respondent	Age	Gender	Race	Education	Tenure (years)
Perhentian Island	Hotel 1	1	30	Male	Malay	High School	7
		2	31	Male	Malay	High School	13
	Hotel 2	3	32	Female	Malay	Master	Less than a year
		4	27	Female	Malay	Degree	3
Redang Island	Hotel 3	5	37	Male	Malay	Degree	5
		6	27	Male	Malay	Diploma	Less than a year
	Hotel 5	7	25	Female	Malay	High School	Less than a year
		8	52	Male	Malay	High School	5
Tioman Island	Hotel 7	9	45	Male	Malay	High School	11
	Hotel 8	10	51	Female	Malay	High School	13

4. RESULT AND DISCUSSION

As mentioned earlier, data for this study is based on interviews with ten managers of different small and medium island hotels from three popular islands in Malaysia, who act as role evaluators (RE) for employee performance.

4.1. HRM practices and employee performance

Three HRM practices were found to be executed by island hotels that were involved in this study: recruitment, selection, and rewards and compensation.

Respondents spoke about the recruitment process that was conducted almost every year when they wanted to start their operations. The only exception is for Hotel 7 and 8, because most of their full-time employees are family members that stay in that island. One respondent said:

“No, we don't keep the same employees because employees were laid off during the monsoon season so they can find another job in the mainland to survive. But if some of them come back later, we don't hesitate to give consideration and offer them the same job again through an interview” (RE9)

The above response suggests that island hotels have their own strategy of recruiting and selecting their employees that they feel could assist with the hotel operation. Respondents further explained the criteria of employee selection. Most managers highlighted the importance of employee background and work interest as indicators that influence the decision to hire new employees or retain the former employees. For most respondents, identifying employees who can cope with certain limitations of island life is an important criteria before any decision is made. Respondents gave their opinion based on their experience as employees themselves. The limitations of island life is portrayed from lack of facilities, limited internet and television coverage, no entertainment after work and possibility to be far away from family that mostly live on the mainland. For managers, these criteria are not only important for employee selection. They also identified these factors as contributors to employees' performance. One respondent stated:

“Only people that truly have the soul of an island can work in an island hotel.” (RE10).

The findings of this study demonstrate that a proper screening of job candidates is important in making sure that the potential employee can perform their job and adapt with the current job environment in the island. This is especially true in considering the context of hotel operations, which strongly focus on services and customer satisfaction. The current findings are supported by previous literature that found employing the right person to work can bring a good benefit to the success of hotel operation (Biga et al., 2015). Thus, the strategy applied by the hotel management in this study is worthwhile, because respondents explained that they never get burdened by unnecessary costs with regards to poor recruitment and selection made by the management. This occurs because the management knows exactly the right criteria to look for when they are selecting new employees.

The respondents demonstrate that apart from hiring an employee with an interest in island life and good work background, retaining good employees is also another strategy for the small and medium island hotels. As it is rare to find a good employee that is willing to work for a long time in the island, having to retain a skilful and experienced worker is an advantage for the hotel. The managers said:

“The one that always performs well will usually be retained by upper management.” (RE2)

“If every year we could retain the same employees, especially those who have worked for us for quite some time, the managers can rely on these employees to teach new employees. This will make things easier for the management to start a new season because they are mostly doing the same work repetitively.” (RE2)

Most managers relate the strategy of retaining good employees with efforts to save operational cost and time to provide training to new employees. This finding is aligned with a previous study which emphasized that retaining former employees who are knowledgeable about their work can influence organizational success especially in the hospitality industry that face rapid competition (Chungyalpa & Karishma, 2016). Thus, the same strategy would potentially benefit small and medium island hotels to survive their operational costs, even when they have to face uncertain tourist demands.

Respondents also talked about the rewards and compensation strategy of small and medium island hotels. In conjunction with the unique nature of the island workplace, most managers explained the importance of providing extrinsic rewards that are tangible for the island hotel employees. Respondents focused on the understanding of extrinsic rewards in the form of money which can influence employee motivation to work well. While there is limited entertainment on the island, managers believed that their employees were more interested in saving their salary as much as possible to support their family in the mainland. Employees who believed that their salary was enough to support their expenses were likely to come again in a new season to work with the hotel. The managers revealed:

Among all, money is very important. As a human being, they just think about nothing but only money. . (RE1)

If the hotel can pay them a high salary, they will never refuse to stay. Usually, employees will work again next year. (RE2)

As an employee myself, I will definitely stay longer if the hotel pays a high salary. (RE4)

The above findings suggest that financial rewards have more influence on island hotels employees than nonfinancial rewards. This result is in line with the previous research finding that affirmed financial rewards do create high employee motivation, performance and retention (Dineen & Williamson, 2012). While their jobs are mostly repetitive in nature and the aim is to satisfy customer needs, hospitality employees are more likely to be influenced by financial rewards to increase their motivation and loyalty to the hotels. More importantly, this study also demonstrates that employees' perceptions of HRM practices largely influenced their understanding of the message set by the hotel, which suggests that each and every employee might have different expectations about the role of every practice towards their performance (Mat et al., 2017).

4.2. Strategies for small and medium hotel to survive

The small and medium hotels involved in this study are implementing HRM practices that lead to the strategies that they believe will be important to the survival of their operation regardless of the situation. The importance of human capital is not denied by the respondents: managers have talked about how they manage their employees in the context of island hotels. While some employees of the hotels involved in this study are either the residents of the island, or have stayed in that particular island for some time, they are found to be very committed with the hotels because they understand the island contextual environment very well. This is consistent with the assumption of Social Embeddedness Theory that highlights the influence of contextual elements on the effectiveness of the action taken for business development. This may be due to social relationships between members of the society with business activity in the islands (Hoang & Antoncic, 2003). Two themes emerge from the interview data in relation to employees' performance of the island hotels in this study: operation time and work environment. The integration of the employees with the operational styles in the island hotels has made the employees to be more adaptable with the situation. Moreover, as island areas are vulnerable to the impact of weather events, especially during monsoon season, any changes in the operation of the hotel are understood by employees who are familiar with the island life.

Findings about employees' performance is tailored to the strategy used by most island hotels in deciding their operating time. Consensus arrived among respondents that the island hotels are not operated similarly like hotels in other locations like those located in the mainland. For island hotels, their operations are based on seasonal or monsoon periods. Instead of operating throughout the year like other hotels in mainland, island hotels only offer accommodation and services out of monsoon season, normally only 6 months in a year. Most hotels involved in the study did not operate from September to March every year. Only two hotels are flexible in terms of their off time, depending on the current weather situation at the island. For these hotels, their hotels operation can be around 6 to 8 months per year. This finding is encapsulated through their responses;

"We are not the same as other hotels on the mainland because we are closed during monsoon season because visitors cannot access the island at that time." (RE1)

"Our hotel normally starts the operation in March until September. Other than that, nobody wants to visit the island due to the weather conditions." (RE2)

Based on the interview data, all managers agreed that the duration of the island hotels operation had influenced most of the policies and procedures related to HRM. This relates mainly to the element of process in Social Embeddedness Theory. The understanding of the situation in islands has made the formulation of the strategy is based on the duration of time. This is made to ensure that the hotel management can maintain the structural integration of the environment in understanding the expectations of the island visitors. The strategy formulated by the hotels that involved in this study can be viewed as an effort to create the social ties that will be worth for the business' competitive advantages (Aldrich & Kim, 2007; Kloosterman, 2010).

The last strategy identified by respondents to influence employees' performance is through the ability of the hotel to provide them with a convenience work environment. A convenient work environment is said to be both psychologically and physically favourable to the employees that spend most of their time at the workplace due to their location that is far from their home in mainland. This is where the managers stated that working environment should be good enough for employees to stay:

The first thing that influences employee perception about working on the island is the treatment they received from the management like having free accommodation, food and everything. (RE4)

In this hotel, many facilities are provided to employees including accommodation, meals, and many more that employees need. (RE3)

For me, relationships between employees is very important. While working on the island, they need to have a good relationship with each other. Without good relationships and teamwork, it is unlikely for employees to stay longer in island hotels. Each and every employee needs support from each other because most of them are alone and did not bring their family with them. (RE1)

Based on responses from most managers, this study revealed that a good work environment is necessary for island hotel employees to maintain their job performance. This is consistent with the nature of the island workplace that is limited to activities and entertainment after work. A good

work environment is required by employees, as they need to socialize and release their work stress. This is supported by the recent findings that employee commitment and performance will increase if they are provided with a good work environment and nice ambience (Latiff et al., 2014; Pravamayee, 2014). Indeed for island hotels employees who work away from family for a long time period, a good working environment may prevent feelings of loneliness and create a happy workplace for employees so that they can focus on their jobs well.

4.3. *VRIN resources and small and medium island hotels*

VRIN refers to the elements of valuable, rare, inimitable, and non-substitutable resources that can act as catalysts for achieving organizational competitive advantage. These assumptions are used to explain the connection between HRM matters and organizational performance, which is suitable in discussing SMEs' survival in uncertain times. As these small and medium hotels are located on islands, they are more vulnerable to many unexpected events. Thus, the ability to adapt to new changes that happen will influence the survival of their business. The results of this study indicate interesting findings about small and medium island hotels. In this study, only two themes have emerged to describe the characteristics of island hotels' employees: valuable and rare. Instead, the other two elements were found to be unreliable as unique characteristics of island hotels offer different circumstances in formulating their strategy to survive.

Employees are *valuable* for small and medium island hotels, because their commitment will ensure the satisfaction of customers with the hotel's services. This is no doubt to describe the quality of employees in the service sector as previous study reported that high performing SMEs are those who have skilled employees who can provide good services to their customers by paying attention to customers' needs (Georgiadis & Pitelis, 2011). For island hotels, the knowledge and ability of employees to inform visitors and customers about the services offered by the hotel and ensure they are satisfied with those services can increase the hotel's revenue. This is confirmed by the hotel managers, because most of their customers are those who repeat their visit and recommend the hotel to their family and friends. Further, most hotels involved in this study stated that their ability to retain the business also comes from the revenue they gained from visitors from Western countries who booked the hotel earlier on. The characteristics of the employees are valuable, because customers who visit island hotels are mostly those who value natural and cultural attractions and not mainly five star hotel facilities.

Employees who are suitable working on the island need to be among those people who are familiar and comfortable with island life and limitations. This is *rare*, realising that hotel's employees from other locations might not be required to have this characteristic to allow them to work in the hotel. An island hotel is isolated from the mainland; therefore, they have uniqueness as well as limitations that could influence employees' motivation and performance. A previous study found that place identity indeed influences the business performance and success (Hallak et al., 2012). Islands are attributed as places with "weak internal labour market", with characteristics such as offering low wages, less skilled employees, limited social activities with family and friends as well as high turnover rate. Nonetheless, hotels located in islands do have their own labour characteristics to cope with the increased expectations of quality services by customers and visitors (Baum, 2012). Thus, those who have passion related to the island activities while also looking for job opportunities that can fulfil their economic needs would be likely be suitable as island hotels employees (Adler

& Adler, 2004). The same understanding is described by respondents in this study as characteristics of potential employees who are passionate about island life.

A majority of respondents suggested that their hotels recruit and select new employees every year because during monsoon season employees were laid off when the hotel operation closed. Therefore, *inimitable* and *non-substitutable* are irrelevant when it comes to island hotel employees. Results suggest that new employees will be trained to understand hotel services and operations. Most new employees are able to adapt well with the situation due to the selection process of new employees that sets the suitable personality and characteristics of candidates that the hotel is looking for. Interviews also revealed that most hotels had their loyal employees (senior employees) who permanently work with them. Those employees will lead the new employees and ensure that each and every employee can cope with their work and responsibility. This finding supports previous research that found that HRM practices in the island context are more challenging than implementation in a normal tourism destination (Baum, 2012).

4.4. Implications and future research

Operating on an island offers different advantages and challenges to small and medium hotels. This study makes a significant theoretical contribution to the island tourism development amidst many uncertainties happening in the business environment. Realizing that so many changes that potentially affected the business operation, this study provides options for SME to cope with those changes by understanding their own strength and opportunity instead of leaning towards methods that are beyond their business capability. Interestingly, small and medium hotels in the island segment can compete and survive in the tourism market because all hotel categories have unique target customers. The potential of small and medium hotels is huge considering that they compete to fulfil the need of their own market segmentation without a need to be at par with higher star rated hotels in the island. Therefore, the study suggests the exploration of RBV and Social Embeddedness Theory to understand a new adaptation strategy to be used by SME to survive through uncertain times. In addition to considering the resources owned by their business, a unique value of the island proposition demanded the identification of other contextual factors that hugely influence the business configuration for island tourism activities. This is true, as previous research has shown, because reflective learning and sensemaking are crucial for the company's flexibility and timeliness in making decisions, which can have a significant effect on dealing with the uncertainties of business (Perminova et al., 2008).

Among the approaches from the findings is the focus on the island employees characteristics. As a labour intensive sector, small and medium hotels have no choice but to focus on the capability of their employees. Thus, this study has a number of practical implications for the business operators, as well as local authorities in supporting tourism activities in the island. Since the high turnover rate in island hotels is significantly due to the layoff events that happen every monsoon season, business operators could collaborate with local authorities to create temporary job opportunities to sustain their income. This collaboration would provide win-win situations for both entities. In this digital world, this kind of collaboration is possible as gig works are available for anyone without permanently bound to any employer. For island business operators, this could increase their business efficiency because they can use the same workers again for the next operational year. Less time will be allocated to train them, as they are already experienced working with the hotels. Further, the senior employees will have more time to innovate better work approaches to help boost

the business. On the other hand, local authorities will benefit in terms of social development in particular areas by reducing unemployment rate and social problems in their communities.

While this research conforms to the idea that characteristics of island hotels employees differ with those of ordinary tourism destinations on the mainland, it is interesting for future research to explore how these characteristics could be utilised to develop a career progression for those who are passionate about island tourism. This would assist in developing tourism activities, especially in light of the increased expectations of the tourism sector, to contribute to the national income of many countries. The impact of career progression could be explored not only in terms of economic factors, but also for its social implications especially for developing countries that rely highly on the tourism activities. The career progression model could be explored through job match or job fit theory and will contribute towards an effective talent management approach to be used by businesses, and is not only limited to SME. Moreover, as more focus has been given on the outcomes of SME businesses but lacking on exploring the processes involved in running their business, it is an opportunity for future researchers to examine the efficiency level of SME business operation by comparing between different employee characteristics (employing the same employees (experienced) and new employees each year). This finding will give fruitful insight to support future practical undertakings, as previously suggested.

5. CONCLUSION

The present research explores employee performance and the implementation of HRM policies and practices by small and medium hotels in adapting to uncertain business environments. While SMEs offer a great potential for the economic and social development of the country, they are also vulnerable to the risk of changes in the business environment. This study suggests that unique characteristics owned by island hotels gave them more opportunity to formulate strategies to maintain employees' performance and not solely based on VRIN resources. The survival of small and medium island hotels has been found to be related with the capability of the hotels to recognise appropriate strategies for improving their competitive advantage and make it an integral part of the decision making process. Although good employees are worth to be kept by the organization, however, the management of island hotels gave more priority to the recruitment and selection process to ensure the operations of their hotels can survive over time. Through these processes, employee performance can be guided to meet with the expectations of the management as long as candidates have the passion about working in the island. Thus, the present study contributes to the understanding of businesses operated by small and medium hotels, especially in the island context. It is suggested from this study that the contextual elements of the hotels significantly contribute to the business strategy and ensure their competitiveness in the market. Perhaps, the influence of hotels size and location potentially influence the effort to reshape employees' innovative behaviour in the service sector including the hotel industry. Therefore, future studies may incorporate investigation about factors that influence innovative work behaviour and employee work passion, particularly to elucidate the nexus between both elements for achieving service innovation and assisting the organization to survive through challenging times.

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