

## **SUSTAINABILITY OF HANDICRAFT PRODUCTION: A STUDY OF SMALL-SCALE HANDICRAFT PRODUCERS IN RURAL SABAH**

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### **ABSTRACT**

*This paper presents the emergent issues arising from a preliminary fieldwork (local desk research and key informant interviews) on the nature of handicraft production in rural Sabah. It is surprisingly that despite the government supports and initiatives under its handicraft development program that clearly wishes to encourage full-time workshop-based production, vast majority (93 percent) of handicraft producers in Kota Belud, Sabah still produce their handicrafts from home, in fact, half proportion of these home-based producers are part-timers. This finding has provided some valuable insight to question "why home-based production is so favoured among handicraft producers in rural Sabah". Several issues related to producers' decisions to go (or not) workshop-based production is argued in this paper: (1) "do workshop-based producers always high-performers and home-based producers always low-performers?" (2) perceived advantages or disadvantages of producing handicraft in a workshop or from home, (3) how are relationships with trader/retailers formed. In addition, based on the key informant interviews, several main challenges likely to inhibit producers' decision to produce their handicraft in a formal commercialised manner, i.e. full-time workshop-based are also discussed: (1) difficulties in access to technical and financial resources (2) lack of motivations to move to higher level of commercialisation, and (3) the absence of young successor to sustain the craft production. This paper hoped to offer valuable insight for future research, specifically on factors for commercialisation process and performance among handicraft producers in rural Sabah, in spite of their "advantaged" or "disadvantaged" production status. In addition, this paper provides insight to government and policymakers about the current nature of handicraft production in Sabah, in which home-based and less formally managed production, in spite of their 'disadvantaged' status, might as well generate higher revenues to handicraft producers. Furthermore, it is expected that this paper will help to improve the guiding principles in reducing poverty in those remote areas in Sabah as well as to sustain Malaysian culture for future generation.*

**Keywords:** rural small-scale handicraft production, home-based production, workshop-based production, commercialisation

### **1.0 INTRODUCTION**

The tremendous impact of entrepreneurship on the economy and society has led to growing interest among governments in supporting entrepreneurial development as a way to stimulate economic growth in rural areas, populated by low income people. In many countries, the people in rural areas, who have traditionally relied on agricultural sectors for income generation, have been encouraged by the government to supplement their income with other new off-farm based business activities, by engaging in tourism-oriented businesses like handicraft production,

cottage businesses, or local foods production. For example, small-scale business based on handicraft production has been identified by many scholars in related studies as one of the solutions to economic problems in rural areas (Rutten, 1999; Taimni, 1981; Berma, 2001).

In Malaysia, the government has seen the advantageous of handicraft production as source of tourism activity and the channel for entrepreneurship development. Various entrepreneurial development programs such as education and training, financial and credit assistance as well as the development of physical and social infrastructure have been undertaken by the government in order to encourage handicraft producers, especially in rural areas to become entrepreneurs. The One District One Product (ODOP) project for instance has been introduced in 2003 aimed to improve incomes in village communities through commercialization of handicraft. Ideally, a 'commercialised' or 'high performing' business might be operated as full-time activity in a dedicated premise, as it is believed that such business owners will earn better income over the 'less formal' one. Nevertheless, in the case of handicraft production in Sabah, not all handicraft producers engaged in this so-called "formal commercialized" handicraft production. In fact, vast majority of the handicraft producers make handicraft as part-time or informal activity from their home. It seems that 'informal production' is so favoured among handicraft producers in Sabah, despite of their 'disadvantaged' status. In order to really understand how some of these producers manage to survive in handicraft production though they engaged in 'less-commercialised' production, a preliminary fieldwork was conducted to gather clear picture of the current nature of handicraft production in Sabah.

This paper summarizes the findings from local desk study and structured key informant interviews with five key informants who had the related knowledge on handicraft production in rural Malaysia, which presents information about the background of small-scale handicraft production. Findings from this preliminary study raised several issues and challenges relating to the nature of handicraft production in rural Sabah. This paper is organized into five sections that describe (1) the research approach, (2) the findings, i.e. the nature of handicraft in Sabah, (3) the emergent issues of small-scale handicraft production, (4) the perceived challenges of handicraft producers, and finally (5) the conclusions and the implications for further research.

## **2.0 THE RESEARCH APPROACH**

This paper is based on preliminary investigation conducted as an initial stage of more rigorous survey. The main objective of this fieldwork was to gather information about the nature of handicraft production in Sabah, as well as to close the gaps related to classification of local handicraft producers in Sabah. This fieldwork was carried out over a period of three months in Sabah, and consisted of a mixture of key informant interviews, collection of secondary data as well as informal visits and conversation with potential respondents. All interviews were recorded, transcribed and photographs were also taken. Sabah was chosen as the area of research as it appeared to be the region contains the most handicraft producers in Malaysia (Malaysian Handicraft Development Corporation, 2008). Overall, the information needed was gathered formally from five key informants, four of them were key people in related government agencies in Sabah and an academicians who had the related knowledge on handicraft production in rural Malaysia (Appendix 1 shows the . Table 1 lists the sources of data obtained from the investigation.

**Table 1:** Data obtained from Local Desk Research and Key Informant Interviews

No	Data	Sources
1	<p>Current state of handicraft production in Sabah - numbers of handicraft producers in Sabah, main types of handicraft production in Sabah, performance of handicraft industry in Sabah.</p> <p>View on government support for handicraft production in rural Sabah</p> <p>Insights into the process of commercialisation among handicraft producers in Sabah (nature of production, distribution and sales, challenges in production)</p>	<p>Local desk study:</p> <ul style="list-style-type: none"> <li>• Malaysian Craft Industry Study (2001) - unpublished report from Malaysian Handicraft Development Corporation.</li> <li>• Recent Handicraft Producer Census in Sabah (2008) – surveyed by Malaysian Handicraft Development Corporation Sabah branch.</li> <li>• Official documents deriving from public relation materials like newsletter from Sabah Tourism Board, press releases on the Ministry’s World Wide Web and newspapers and presentation materials.</li> </ul> <p>Key informant interviews:</p> <ul style="list-style-type: none"> <li>• Formal conversation: 5 key people in related government agencies in Sabah</li> <li>• Informal conversation with handicraft producer, incubator trainer, handicraft shops owner.</li> </ul>
2	<p>The current statistical facts about Sabah and the study area, Kota Belud (especially on the socio-economic profile of local people)</p>	<ul style="list-style-type: none"> <li>• Yearbook of Statistic, Sabah (2007)</li> <li>• Development progress report from the state – Sabah’s Human Development Progress and Challenges (2008).</li> <li>• Sabah Development Corridor Blueprint (2008)</li> </ul>

The central concern of the key informant interviews was to get a clear picture of who are these handicraft producers, where are they and their premises, as well as how they produce and sell their products which could help the researcher to develop a preliminary classification of handicraft producers in Sabah. Several relevant questions were developed to guide the discussion with the key informants (Appendix 2 shows the key informant interviews checklist). Nevertheless, during the interview, the questions were being customised according to specific interviewees remit, since all of the agencies possessed different degree of responsibility for handicraft development in Sabah. For example, the topic discussed with the Ministry of Rural Development and Entrepreneurship of Sabah was more focused on the development of entrepreneurs among local handicraft producers rather than specifically focused on the handicraft production and marketing in Sabah.

### **3.0 THE FINDINGS: NATURE OF HANDICRAFT PRODUCTION IN SABAH**

Previously known as North Borneo, Sabah is the second largest of the thirteen states in Malaysia, with the population of 3 million people, which 60 percent of the populations live in

rural areas<sup>1</sup>. Despite its vast wealth of natural resources, Sabah is currently the poorest of Malaysia's states, with poverty rate of 23 percent in 2007 and average incomes are now among the lowest in Malaysia. Tourism is currently the second largest contributor to the economy of Sabah after agricultural sector. Various rural development strategies have been implemented under the coordination among government ministries and agencies in Malaysia in order to minimize the poverty rate in Sabah, including encouraged the farmers to supplement their income with other agriculture or off-farm activities by getting them involve in entrepreneurship activities like handicraft and cottage business through One Village One Product (OVOP) program which helps to enhance the rural industries to a higher level (Abdul Kader, Mohamad & Che Ibrahim, 2009).

Handicraft production is a potential business as it has been receiving greater attention by the tourism industry as a means of providing culture enrichment and an economically viable market that can further developed (Weaver, 1991 in Kean, et al, 1996). Handicraft product has been proved as one of the product categories that are profitable for small sized retailers in tourist areas (Paige & Littrell, 2002; Hernandez, et al; 2007; McAuley & Fillis, 2005). In developing countries, commercialized handicraft production is classified as a traditional skill-based activities of a primary producer (artisan) like hand weaving, hand knitting, wood carving or ceramics painting that produce a pretty trinket hand-made items for products in the categories of gifts, house-ware items, home furnishings and fashion goods, that reach the local and foreign market through a number of intermediaries (Subramanian, et al, 1990).

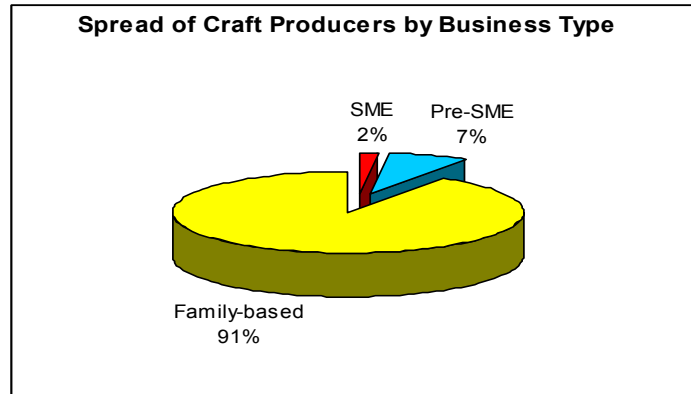
In Malaysia, handicraft industries play an extremely important role as a source of off-farm employment and have high potential as source of foreign exchange earnings<sup>2</sup>. There are more than 10,000 handicraft producers in Malaysia, most of them are populated in Sabah<sup>3</sup>. Traditionally, handicraft among the indigenous people is produced for personal use, mostly by the people in rural areas. Nevertheless, with the growing of personal and family needs as well as the presence of demand for their handicrafts, some handicraft producers have produced handicraft for commercial purposes. Nowadays, there are handicraft producers who produce handicraft as souvenirs for export and tourism industry. Figure 1 shows that handicraft production in Sabah are mostly operated as family-based, in which majority of them are run as part-time business at home.

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<sup>1</sup> Malaysia Department of Statistic, Yearbook of Statistic, 2006.

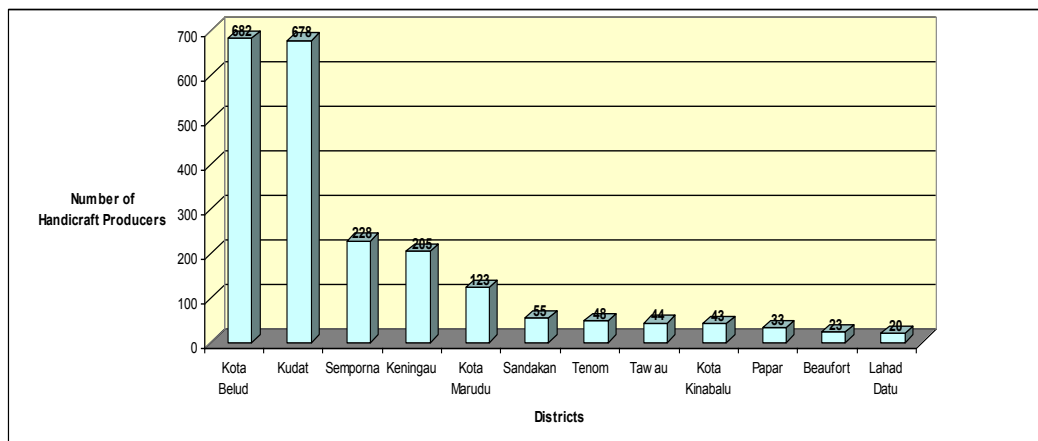
<sup>2</sup> Speech by Malaysia Prime Minister, Datuk Seri Abdullah Ahmad Badawi for National Craft Day 2005, in Craft Complex, Kuala Lumpur as reported by the Malaysian National News Agency (BERNAMA). Source: Asia Africa Intelligence Wire (Publication Date: 28-FEB-05).

<sup>3</sup> Shahrudin, M. N (2002), Handicraft, the Sabah Ethnic Heritage: Challenges and Futures. In Ibrahim, I. and Ling, W. K. (Ed.). Seminar proceeding of Art Heritage of Sabah Ethnic, Universiti Malaysia Sabah, pp. 131-139.



**Figure 1:** Industry Proportions of Handicraft Producers by Business Type  
Source: Malaysian Craft Industry Study Main Report, June 28, 2001. Azlan & Associates, Kuala Lumpur, Malaysia, page 16.

Sabah handicraft has been segmented into four different major categories namely textile (batik and weaving, embroidery), forestry (woodcraft, bamboo and rattan), earthen-based (ceramic, pottery) as well as metal and mineral (silver and brass). The most populated categories are forest-based and textile-based handicraft producers. The activity of making handicraft is quite apparent among the female. Women’s participation in handicraft production is mainly in hand-woven materials, especially textile, basketries and bead-making, while the men are actively involved in the production of metal-based handicraft; most are engaged in semi-mechanised production like sword (*parang*), brass-gong and wood carving. Currently, there are 2,182 handicraft producers found in Sabah, throughout twelve main districts specializing in the production of local village craftworks. Figure 2 shows the total number of handicraft producers throughout Sabah, in which most of them are populated in Kota Belud, followed by Kudat, Semporna, Keningau, and Kota Marudu.

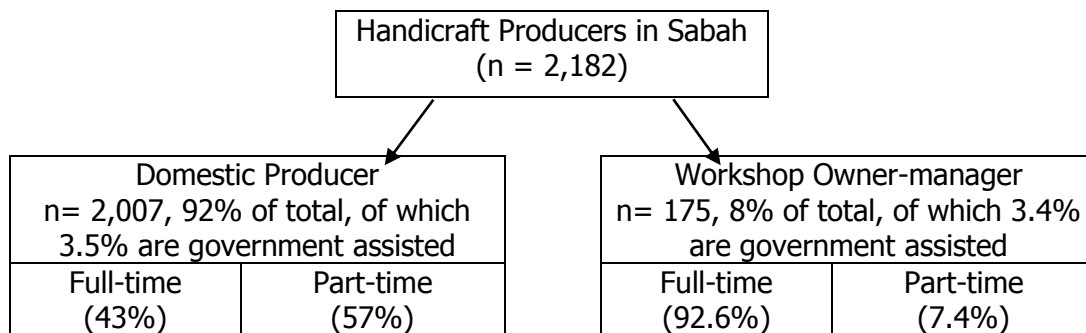


**Figure 2:** The Population of Handicraft Producers in Sabah, 2008.  
Source: Census data by Malaysian Handicraft Development Corporation (MHDC), Sabah (2008).

Census data from MHDC (2008) shows handicraft producers in Sabah are not homogenous. They vary according to whether they are domestic or workshop-based producers. In addition, they are different in terms of the proportion of time they devote in handicraft production, the

location of production, the marketing channels they used as well as the degree of assistance they receive from related supporting agencies to start and proceed their businesses.

Findings from the local desk study and key informant interviews indicate that the vast majority of handicraft producers in Sabah are involved in domestic production, rather than in a workshop. Figure 3 summarises the types of handicraft producers in Sabah and their relative magnitude. This leads to the question why part-time domestic production is so favoured among handicraft producers in rural Sabah. Is it connected to handicraft producers own circumstances? Are there strong challenges or risks seen with being full-time or producing in a workshop? Or as census data shows, are some part-time domestic producers able to generate strong performance in spite of their 'disadvantaged' status? It is important to understand the reasons that make most handicraft producers stay as domestic producers, as well as the factors that influence some of them to move to workshop production.



**Figure 3:** Types of Handicraft Producers in Sabah

Source: Census data by Malaysian Handicraft Development Corporation (MHDC) Sabah (2008).

In term of income, MHDC census (2008) revealed that handicraft producers in Sabah earned different annual income levels from their handicrafts, with substantial proportions of them earning low income at less than RM10,000 per year (87 percent), 11 percent earning moderate income RM10,000 to RM30,000, and only small number of them earning higher income more than RM30,000. Is it because of their production status, i.e. full-time/workshop or part-time/domestic? In addition, the census has revealed that some part-time home-based producers earn very similar to full-time workshop-based producers, and not all home-based producers are low performing, and not all workshop-based producers are high performing. It is still unknown, why some interviewees who produce handicraft from home achieve high sales turnovers, whereas others who produce in a workshop do not, despite benefitting from apparently favourable circumstances. The preliminary findings have provided several emergent issues relating to producers' choices for full-time or part-time status and home-based or workshop production, which are discussed in the following section.

#### **4.0 THE EMERGENT ISSUES OF HANDICRAFT PRODUCTION IN SABAH**

In Malaysia, various rural development programs mainly for the tourism-related business have been established by the government through handicraft production cooperatives or handicraft village, in order to encourage and develop craft production as a source of additional income for rural communities. It is undoubtedly that handicraft business is potentially for the livelihood of

the people in Sabah that could contribute to poverty reduction. However, despite general support for micro-enterprise and small business programs, the involvement of handicraft producers in 'formal commercialised' production is still low (MHDC census, 2008). It is always believed that 'formal commercialised' production provide better income compare to 'less formal' production.

Is this case always true for all small-scale business? Arguably, this might not be applied to small scale business in rural area where extra challenges might occur due to their remoteness that limit their opportunity and ability to undergo their business operations commercially. Nonetheless, the substantial proportion of 'part-time and home-based' producers in Sabah leads to questions "*what are so special about home-based production?*", and "*does workshop-based production is problematic?*". These issues will be addressed throughout this section by reviewing preliminary findings from an exploratory research conducted in the area of study. These emergent issues provide insight for future research pertaining to factors stimulating (or inhibiting) commercialisation process among rural entrepreneurs.

#### 4.1 Do workshop-based producers always high-performers and home-based producers always low-performers?

Previous studies of the factors relating to the management of a small enterprise, whether it is formal or informal production (Dias, 1990; Berma, 1996), home-based or non-home based (Thompson, Jones-Evans & Kwong, 2009), or on a part-time or full-time status (Roberts & Robinson, 2010) contend that person's disposition (personality traits) and other external factors in person's surroundings (e.g supportive upbringing, financial situation, family and friends, networking, government support) might have an impact on their performance. So far, it is often assumed that higher performing enterprises are more likely to be operated from formal dedicated premises, with full-time employees, well-planned marketing activities and accounting tasks, whereas part-time and home-based businesses are likely to be smaller in scale, less formally managed and achieving lower revenues (Thompson, Jones-Evans & Kwong, 2009). In addition, the Malaysian government, under its handicraft development program clearly wishes to encourage full-time workshop-based production, and it is believed that such producers will earn better income over the part-time home-based producers.

In spite of this evidence, the vast majority of handicraft producers in Malaysia are part-time domestic (MHDC, 2008). It is found that from the census data (MHDC, 2008) that the proportion of workshop-based producers earning low annual sales turnover (RM15,000 or less) is actually very similar to the proportion of domestic producers. This shows that pursuing a formal business in a workshop does not necessarily promise greater profits over the domestic production. Therefore, it is too early to say that workshop-based production as an ideal state for handicraft business or lead to high performing, rather it should be recognised as complex and problematic issues because not all handicraft producers keen to produce in a workshop, and not all workshop owner-managers received higher sales than domestic producers do.

This leads to the question why part-time domestic production is so favoured among handicraft producers in rural Sabah. Is it connected to handicraft producers own circumstances? Are there strong challenges or risks seen with being full-time or producing in a workshop? Or as census data shows, are some part-time domestic producers able to generate strong performance in spite of their 'disadvantaged' status? It is important to understand the reasons that make most

handicraft producers stay as domestic producers, as well as the factors that influence some of them to move to workshop production. Why do they decide to produce at home or in a workshop? What makes them continuously to operate their business in spite of all challenges/problems? For that, it is important to investigate the reasons behind these issues, by interviewing both domestic and workshop-based producers about what makes them stay in home-based production rather than workshop-based and vice versa. Depth investigation for these questions is needed, in order to investigate perceptions from both types of producers as this would identify the factors for pursuing their business either as domestic producers or workshop-based owner-managers.

#### 4.2 Perceived advantages or disadvantages of producing handicraft in a workshop or from home

A second emergent issue involves the perceived advantages and disadvantages of producing handicraft in a workshop or at home. These perceived advantages or disadvantages of production type are influenced by antecedent factors, for example demographic, personality and motives. It is important to gain insight into these factors from both types of producers in order to understand the issues or challenges of starting up and growing a business either as domestic producers or workshop-based owner-managers. For example, domestic producers might see setting up a workshop as probably requiring new additional skills like management, accounting and marketing which means they have to go for training. In addition, to engage in workshop-based production or in a formal premises means writing a detailed plan for business strategy especially for acquiring financial assistance, trading license, additional facilities like land, building other overhead costs.

Some handicraft producers would probably think if they continually produce their handicraft informally at home, they do not require heavy financial capital or expensive machines. They might think that they still could enjoy the income from the handicraft sales even though they produce their products at home. This might be due to less disruption in their daily work or family, low cost of production due to less overhead costs, less business risk, and ease of management of their daily activity. Similarly, workshop-based producers might also perceive some advantages or disadvantages of taking up a workshop production compared to domestic production. They might perceive that the domestic handicraft producers might expose the possibility of being exploited by other parties in supply chain as they are heavily dependent on middlemen when selling their products. It is important to investigate further the perceptions of both types of producers in order to identify the factors for move (or not) to a greater level of commercialisation, i.e pursuing their business either as domestic producers or workshop-based owner-managers.

#### 4.3 How are relationships with trader/retailers formed?

A third emergent issue relates to the trading relationships between producers and traders. Findings from preliminary fieldwork showed that handicraft producers in Sabah sell their products in several ways. The method of trading relationship practiced by producer is dependent on the types of handicraft production, the size of the business and the target markets. Generally, the trading network includes the value chains of upstream suppliers and downstream channels and final customers. Handicraft industry in Sabah involves various entities like government agencies and other traders who play their role as suppliers or intermediaries



responsible to design, produce, market, deliver or support handicraft business (Shaharudin, 2002).

It is found that majority of handicraft producers in Sabah sell their products directly to customers as well as based on personal orders. However, there are some of them used various channels to distribute their handicrafts, especially the domestic producers. This includes the used of various marketing channels like wholesalers, retailers, as well as sells their products directly to customers at home or in weekly market. Conversely, the workshop owner-managers would sell their products directly to buyers using their own marketing team or through their own premise or retail shop. However, there are some of the handicraft producers are engaged in complex trade networks controlled by middlemen, for example the wholesalers. Therefore, in order to gain deep understanding how relationship develops between producers and traders, for example, who initiates, how are price and quality terms agreed, it is also important to conduct investigation with middlemen, including retailers or wholesalers who able to provide insight based on their perceptions and experiences in the handicraft business.

## **5.0 PERCEIVED CHALLENGES FOR COMMERCIALISED PRODUCTION**

The insights gained from the fieldwork provide some background information on the challenges and potential of entrepreneurship among handicraft producers in rural Sabah. Starting and surviving a business is influenced by various socio-economic contexts, whether the business is operated in rural or urban areas (Dias, 1990; Kodithuwakku & Rosa, 2002). In rural setting for example, which well known with its remoteness and constraint environment, there are significant factors that contribute or impede business operation. Kalantaridis and Bika (2006) contend the challenges of people in rural areas for practicing entrepreneurship are lack of supply of labour due to low level education, modest opportunities to source equipment and material locally, poor market potential and the effect of distance and extensive land uses. The interviews with key informants provide insight on challenges or constraints faced by small business owner in rural Sabah in pursuing their business.

### **5.1 Constraints of resources that limits the level of production and marketing activities**

From the study, it is found that the availability and accessibility of resources, especially the raw materials and financial assistance are the main obstacles for the handicraft producers to pursue their business successfully. Financial constraints would affect the production and marketing level for handicraft products. It would limits the quantity of raw materials that they could gather from the supplier in order to produce their products. In addition, fewer financial resources limit their level of marketing activities, like product branding, labelling, and packaging, thus lead to poor promotion. As a result, fewer middlemen would know about their existence and product flow would be slow, unless they are being promoted by the Malaysian Handicraft Development Corporation or via word-of mouth. Resulted from this, it is unsurprisingly that few of these producers decided to borrow sum of money from the illegal loan provider (*ahlong*) in order to buy raw materials and equipments during their initial business start-up.

Previous research in rural small business asserted that fewer financial resources and restrictions on the time available to engage in market research allows many small-business entrepreneurs make excellent use of the networks of relationships with buyers, suppliers and others along the

supply chain (Collinson & Shaw, 2001). It is true from this study, in which most handicraft producers said that they need to rely on middleman, peers, and friends in order to ensure the supplies or raw materials as well as the demand for their products as they face difficulties in obtaining financial assistance and trading license.

It is easy to presume that the government is not really playing their role in helping the rural people to develop their business successfully. However, it is crucial to understand that this external support is not the only reason for a business to survive. Person's personality and motives, skills and knowledge would have an impact on person's ability to start and to survive in a business (Chell, 1991). It is surprising from the findings that quite large proportion of handicraft producers are self-financing, rather than acquiring external sources of funds from the government agencies or banks. This indicates that the producers are not solely relied on external financial institutions, in fact they able to use their own money to start a business, but only few of them able to survive after they started.

It is reported from the findings, financial constraints are main hindrance for them in pursuing their business successfully. Presumably their financial constraints would be due to their poor skills in accounting matters, especially on how to manage their financial capital wisely. Some of the handicraft entrepreneurs stated they would like to learn more about how to manage their income from the sales they received, especially through simple book-keeping approach. Therefore, it is important for the related supporting agencies, for example the government to provide them with appropriate training on how should handicraft producers make their decision regarding their business income, rather than continually provide them with financial or capital assistance solely. Should this important skills would ease the process of pursuing their business successfully.

## 5.2 Lack of motivation delays involvement into commercial production

Findings from this small-scale survey provide understanding on how handicraft producers initially get involved in handicraft production and how did they go through the commercialisation process. Reasons and motivations leading to start-up have traditionally been regarded as an important element influencing not only the start-up of the new business but also its characteristics, survival and performance (McClelland, 1961; Brockhaus, 1980; Begley & Boyd, 1987). It is found from the survey, despite supports and incentives from the local government for business development, not all handicraft producers engaged in commercial handicraft production (as full-time producers) and only few of them continue their handicraft production successfully (earn higher income or produce in a proper building or workshop). Among the challenges that mentioned by interviewees for starting and growing a handicraft production include limitation of time due to trade off with other works and responsibilities, inadequate relevant business knowledge and lack of reliable workers. Nevertheless, despite these challenges, some of them apparently still engage in handicraft production although as part-time activity. Besides, there are some interviewees who faced similar challenges manage to overcome it and produce handicraft as full-time activity, in fact some of them able to produce handicraft in a workshop.

Apparently, motivation has been found as the second important factor that drives some (but not other) to continue and success in their business. Initial findings from the study found that income supplementation (make some money whilst juggling other responsibilities) and passion

for handicraft (love of the craft and desire to sustain/preserve the tradition/culture) has motivated them to engage in handicraft production commercially. It seems that despite challenges faced by these producers to actively involved in commercial handicraft production, they still make handicraft for sale although as part-time activity because they found making handicraft provide additional income to them. Lack of these personal drives could delay the involvement of some handicraft producers into commercial production.

### 5.3 The absence of young successor to sustain the handicraft production

The third main problem faced by the handicraft entrepreneurs in Sabah is the absence of young successor to continue their business legacy. Logically, good education level would probably ease the process of starting up and growing a business. The people who had received formal training in MHDC incubator are equipped with better handicraft-making and marketing skills and thus are more motivated to form a handicraft business, but in Sabah, this is not always the case. Not all local people who had handicraft-making training pursue their handicraft business. Some of them prefer to engage as part time worker in handicraft workshop in order to earn their pocket money rather than make and sell their own handicraft, while some are keen to work in town. As a result handicraft production in Sabah is facing shortage of producers and entrepreneurs, especially the young in order to pursue the heritage business. Lack of skilled-people to continue the culture of making handicraft has led to shortage of supply in handicraft products in Sabah and at the same time resulted to dumping of foreign handicraft from neighbouring countries like Thailand, Indonesia and Philippines into Sabah's crafts market.

## **6.0 CONCLUSIONS**

This fieldwork provide as exploratory findings that handicraft producers in Sabah are different in terms of their decisions on status (whether to engage in full-time or part-time production), their decisions on production location (whether to produce handicraft from home or in a workshop), as well as their performance (high or low sales turnover). It would be desirable to explore more if handicraft producers could be grouped into a number of clusters or types of producer based on these three business characteristics.

Previous literature on business transition led to proposition that the higher performing handicraft producers would be those exhibiting formal business activities in a dedicated premise (Thompson, Jones-Evans & Kwong, 2009; Roberts and Robinson, 2010). In addition, based on the key informant interviews conducted, according with Malaysian government policy the full-time workshop-based producers would be highest performing unlike part-time domestic producers, who it was expected would have weaker performance due to informal and improper management of their business activity. Therefore, acknowledging the findings from the preliminary investigations it is expected that there are groups of high performing full-time workshop producers, low performing part-time home-based producers, as well as quite-well performing part-time home-based producers. In addition, it is important to investigate further on the factors that demonstrate their differences, for example demographic profile and business background (Davidson & Honig, 2003; Roberts and Robinson, 2010), motivations (Cooper, 1981; Cromie, 1987; Baum & Locke, 2004; Kaikkonen, 2006), skills (De Clercq & Arenius, 2006; West & Noel, 2009; Townsend, Busenitz & Arthurs, 2010), personality (McClelland, 1987; Chell, 1994; Brockhaus and Howitz, 1986) and context (Gartner, 1989; Specht, 1993; Abdul Kader,

Mohamad & Che Ibrahim, 2009; Bhagavatula, et al, 2010) of the entrepreneur. In order to identify what the characteristics of handicraft producers based on their decision in status, location and performance, rigorous analysis would be desirable, for example cluster membership.

The results presented in this paper are exploratory and the development of the propositions are limited to the evidence provided by few key informants and related statistical reports. However, the findings so far have contributed considerable information about types of handicraft producers in Sabah, in a nutshell, types of handicraft entrepreneurs found in rural small business field. In addition, the findings serves as basis for further research in more rigorous depth investigation to understand the mechanisms and process that influence producers to commercialize their handicrafts, not only by focusing on the factors for business start-up but also acknowledging other associations of those factors that emerged throughout the commercialization process from the beginning of their business start-up until their current business state. This type of information is likely to be achieved by using qualitative approaches, through in-depth personal interviews in order to determine deeply how and why producers perform as they do by investigating their life history and everyday activity of the respondents. This will provide a more complete picture of the phenomenon under investigation (Jones, 1988; Siu & Kirby, 1998, Kodithuwakku, 2002; Ritchie, et al, 2007). Finally, it is hoped that by understanding the current issues arising and challenges faced by handicraft producers in rural Sabah, may offer recommendations to Malaysian government on effective support policies to encourage more individuals into commercial handicraft production.

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### Appendix 1: The key informants

No.	Name of Agency/Informant's details	Main Role of Agency	Main information gathered
1	Malaysian Handicraft Development Corporation (MHDC) Sabah Branch - Tuan Haji Mohd Mokhtar Lop Ahmad (the Director)	Entrepreneurship development among local handicraft producer in Sabah, promoting Sabah handicraft to local as well to foreign market.	<ul style="list-style-type: none"> <li>• The types of handicraft producers in Sabah.</li> <li>• Government support programs for handicraft entrepreneurs development.</li> <li>• Problems/Challenges of handicraft production in Sabah.</li> </ul>
2	Ministry of Rural Development and Entrepreneurship of Sabah - Mr. Mohd Sayuti Hatt Abdullah (Community Development Officer)	Eradicating poverty in rural area through entrepreneurship, especially handicraft, food and cottage industry. Provides training, promotion and production assistance.	<ul style="list-style-type: none"> <li>• Government support programs for handicraft entrepreneurs development</li> <li>• Problems/Challenges of handicraft production in Sabah</li> </ul>
3	Sabah Tourism Board - Ms. Baizurawani (Research Division)	Responsible in sales and promotion of local tourism-related products, including handicraft.	<ul style="list-style-type: none"> <li>• Promotional programs of handicraft products</li> </ul>
4	Kota Belud District Office - Mr. Najib Muntok (District Officer)	Rural development (infrastructure and community development)	<ul style="list-style-type: none"> <li>• Socio-economic background of people in Kota Belud, Sabah</li> <li>• Government support programs for handicraft production in Kota Belud, Sabah.</li> </ul>
5	Researcher and academician in National University of Malaysia (UKM) - Assoc. Prof. Dr. Madeline Berma		<ul style="list-style-type: none"> <li>• Insight on the nature of handicraft production in rural Malaysia (Sarawak)</li> <li>• Research method used for her research</li> </ul>
6	Informal conversation 1. MHDC Incubator chief 2. Trainee in MHDC incubator 3. Master craftsman ( <i>Tokoh Kraf/Karyawan Kraf</i> ) 4. Handicraft shop owner		<ul style="list-style-type: none"> <li>• Preliminary understanding on the nature of handicraft production, the distribution and marketing channels.</li> <li>• Factors encourage/barriers in starting a business</li> </ul>

## **Appendix 2: Interview guide**

### **Introduction**

- Thanks the interviewee for their cooperation, introduce myself and explain the research aims, objectives and expected outcomes.
- Gain general background of key informant: name, post, experience in related field, education.

### **Section 1: Background to Agency**

1. What are the main activities performed? How does it support handicraft producers?
2. How successful has your agency been in their activities?

### **Section 2: Information on handicraft development in Sabah** (will be tailored to agency remit)

1. The status or development of handicraft sector in Sabah (the important of handicraft sector to Sabah people)
2. Current issues regarding handicraft development in Sabah (handicraft and local people in rural Sabah)

### **Section 3: Handicraft Production** (will be tailored to existing knowledge)

1. Producer profile - types of producer currently exist in Sabah (prompt: commercial/non-commercial and formal or informal handicraft producer)
2. Nature of organization of production (raw materials sourcing, what production methods, ownership, employees?)
3. Nature of organization of distribution (what are the distribution channels? How are products sold?)
4. Market and customers (Who are the main types of customers/buyers?)
5. Rate of business start-ups/entrants, rates of failure/exits

### **Section 4: Handicraft Producers** (will be tailored to agency remit)

1. What do you think of the factors that encourage a person to start a business? (how does the process of commercialization tend to happen?)
  - be more focus on the transition from non-commercialized/part-time business into more commercialized/formal business...then be more focus on the handicraft business take up by local people in rural areas (prompt list: internal and external factors of business start-up: e.g: driven by agencies/buyers or the producers themselves?)
2. What do you think are barriers in starting a business or cause them to fail quickly? (Prompts: why small business fail). How do you think this can be overcome?
3. Example(s) of case(s) of producers/groups that have commercialized successfully.

### **Section 5: Government Support**

1. Views on current support and initiatives by government/ non-government agencies.
2. Future needs and challenges (plans for improvement, constraints)

### **To end**

- Any documents/reports/data that you could show which are relevant to the population of handicraft producers, the types of handicraft business in Sabah, the current statistics that relevant for this study?
- Advice on other important people to talk to? (the front liners or other staff in the agency whom they believe could provide me with first hand knowledge about the rural people and handicraft business or entrepreneurship.
- Suggestion for approaching successful handicraft producers and informal producers in rural Sabah.
- Thank the interviewee.